



U.S. Department of State FY 2000 Country Commercial Guides: Chile

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CHAPTER I.

EXECUTIVE SUMMARY

This Country Commercial Guide (CCG) presents a comprehensive look at Chile's commercial environment, using economic, political, and market analysis. The CCGs were established by recommendation of the Trade Promotion Coordinating Committee (TPCC), a multi-agency task force, to consolidate various reporting documents prepared for the American business community. Country Commercial Guides are prepared annually at U.S. embassies through the combined efforts of U.S. Government agencies.

Chile is among the region's most dynamic and promising markets. Its strength and attractiveness lie not in its size (as a country of 15 million people, it is relatively small), but in the energy and professionalism of its entrepreneurs, the transparency of its regulation, and in the predictability of its decision-makers.

Market-led reforms over 25 years have yielded 16 straight years of economic growth, which averaged 8.1 percent from 1988-1997. An increasingly diversified economy and strengthening ties with buyers and suppliers in Europe, Asia, and the Americas have given Chile a wide range of options for further growth. Prudent economic policy-making has secured long-term stability unknown elsewhere in Latin America. The Asian crisis and the resulting fall in commodity prices reduced economic growth in 1998 and 1999 in Chile's natural resource-based economy, but this should be a temporary phenomenon that will reverse in 2000.

Chile has enjoyed a consistent budget surplus and until 1998 enjoyed balance of payments surpluses due to substantial foreign investment. It has sufficient funding to finance growth. Foreign investment is mostly long-term.

The Chilean political system is responsible for a good part of this success. In 1990, Chile emerged from 17 years of military government with an overall consensus about the general parameters of economic management. Occasional frictions occur in otherwise good civil-military relations, but Chile has enjoyed a relatively smooth transition to democracy and democratic government is irreversible.

Chile is a particularly promising market for high technology and capital goods. These include electricity generation and related products, pollution control equipment, telecommunications equipment, computers and peripherals, mining and construction industry equipment, building materials, medical equipment, port equipment, food processing equipment, air conditioning and refrigeration equipment, and security equipment.

U.S. exporters to Chile find few problems in financing customers. Sufficient Chilean, U.S., and third-country banks operate in Chile. Chilean banks enjoy all the trade credit they need. OPIC and EXIM are both active. The World Bank and the Inter-American Development Bank provide project financing to the extent that Chile needs and wants it.

Chile has the highest Moody's and Standard and Poor's ratings in Latin America, BAA-1 and A-, respectively. Chilean reserves in May 1999 were over \$17 billion (almost a year of imports), more than enough for its needs.

Solid opportunities for U.S. goods abound in Chile, but competition is stiff, especially from countries with which Chile has negotiated free trade agreements. The U.S. is Chile's largest single supplier (almost 23 percent of imports), but European and Asian competitors are strong. It is crucial to establish an effective and efficient presence. Many foreign companies have subsidiaries or branch offices in Chile; others utilize distributors or representatives. Although the 40 percent of Chile's population resident in the Santiago region is easily reached, Chile's unusual geography makes it sometimes difficult to cover other population centers, making knowledgeable and well-connected Chilean representation important. However, 80 percent of Chile's economy is controlled from Santiago; most agents/ distributors operate from there with offices in the regions.

Chile has one of the simplest and most transparent regulatory systems in the region for trade and business. Careful review of regulations and full compliance with guidelines will ensure more successful and trouble-free operations in Chile. Chile maintains import and export licensing requirements, but they are more for statistical purposes rather than control. Only agricultural products and a few sensitive items face restrictions.

It is not hard for foreign businesspersons to operate in Chile, important because personal contact is essential to doing business. There are non-stop flights to Santiago from Miami, New York, and Dallas/Ft. Worth; in-country connections are plentiful. Visa restrictions are minimal.

Country Commercial Guides are available for U.S. exporters on the National Trade Data Bank's CD ROM or via the Internet. Please contact STAT-USA at 1-800-STAT-USA for more information. Country Commercial Guides can be accessed via the Worldwide Web at <http://www.stat-usa.gov> and <http://state.gov/>. They can also be ordered in hard copy or diskette from the National Technical Information Service (NTIS) at 1-800-553-NTIS. More information on Chile and consular information for U.S. citizens is available through the U.S. Embassy's home page: <http://usembassy.cl> or via electronic mail addressed to: osantiago@mail.doc.gov. All amounts in this report are in U.S. dollars unless otherwise stated.

CHAPTER II. ECONOMIC TRENDS AND OUTLOOK

Major Trends and Outlook

Although Chile's economy has expanded continuously for the last decade and a half (annual average GDP growth in the 1990's has been better than seven percent), 1998 witnessed a slowdown that continued into 1999. The country's economy entered a technical recession by posting successive quarterly declines in year over year growth

starting in the final quarter of 1998 and continuing in the first two quarters of 1999. Because Chilean growth has been led by a boom in exports, concentrated in primary products and processed natural resources (principally copper, fresh fruit, and forestry and fisheries products), the world economic slowdown and consequent decline in commodity prices have affected the country's growth trajectory. Perhaps even more importantly, tight monetary policy in 1998 in response to a growing current account deficit greatly contracted demand. The Government announced a package of tax and public works measures designed to stimulate the economy in June 1999.

Soaring investment, both foreign and domestic, sparked the export boom of the 1990's; although foreign investment continued strong in 1998, domestic investment slowed due to the monetary tightening. Both the product mix of and the markets for Chile's exports are becoming increasingly diversified, with dependency upon copper declining and Latin America joining the U.S., Asia, and the European Union as important purchasers of Chilean products.

The strong job creation and attendant decline in unemployment (which had fallen to 5.5 percent by mid-1998) of the last several years reversed later in 1998 as growth slowed. As of mid-1999, the national unemployment rate had risen to 8.7 percent as a result of the recession. The growth in real wages of better than five percent annually that occurred in the middle of the decade slowed somewhat, but remains positive. Inflation has declined gradually since 1990, ending 1998 at 4.7 percent. The surge in foreign investment that helped keep Chile's balance of payments positive for most of the 1990's was insufficient to avoid a decline in international reserves in 1998. Despite the successive financial crises in Asia, Russia and Brazil from late 1997 to early 1999 that led to a general lack of confidence in emerging markets, Chile's credit rating remains the best in Latin America. Since Chile first received an investment-grade rating in 1992, Chilean firms have raised funds abroad -- through borrowing, selling bonds, and stock issues -- to finance investment. The government is paying down official debt.

Chile's economy grew by 3.4 percent in 1998, an annual rate that masks the year-over year decline of 2.8 percent registered in the final quarter of the year (the economy posted a further decline of 2.3 percent in the first quarter of the 1999). The Central Bank of Chile has reduced 1999 growth projections on two occasions since presenting its annual estimate to the Congress in late 1998, and expects the economy to expand by just 0.5 percent in 1999 (under this scenario, the economy would be growing at a rate of five percent by the final quarter of the year). The Government announced a package of tax and public works measures designed to stimulate the economy in June 1999. Inflation should be in the 4.0 to 4.5 percent range. Growth is expected to accelerate during 1999 as international demand grows and world commodity prices harden. The 1998 trade and current accounts produced deficits totaling \$2.5 billion and \$4.5 billion, respectively (the current account deficit was the equivalent of roughly 6.3 percent of GDP). High foreign currency reserves and foreign investment flows continued to render the current account

deficit level manageable. Moreover, greatly reduced demand for imports should mean that the current account deficit in 1999 will drop below four percent.

The decline in international investor confidence in Latin America after the successive financial crises from late 1997 to early 1999 initially impacted Chile, but a strong reduction in domestic demand induced by the monetary authorities and fiscal belt-tightening by the government helped restore it. Chile's high domestic savings rate (fostered in part by mandatory retirement contributions administered by private pension fund management firms) continued to ameliorate dependency on short-term foreign capital to finance investment. Because foreign investment in Chile is mostly direct investment, it is not likely to flee the country in response to temporary bad news. Chile's high rate of investment (gross capital formation in 1998 equaled 31.7 percent of GDP) means that production is likely to continue growing rapidly over the next several years.

Of total 1998 government revenue, 75 percent was derived from tax revenues, seven percent from operational revenues, some six percent from social security contributions and the remaining 12 percent came from other sources. Of overall tax revenues, the most relevant were: Value Added Tax (35 percent), income taxes (32 percent), taxes on specific items such as cigarettes (11 percent), and import duties (eight percent). State enterprises generated the remaining tax revenue.

Chile's reliance on exports and desire for market diversification have led it to seek opportunities to further open several current or potential markets. Chile joined the Asia Pacific Economic Cooperation (APEC) organization in 1994. It has signed bilateral trade-liberalizing agreements with a variety of Latin American nations, and free trade agreements with Mercosur and Canada. Chile and the European Union plan to commence exploratory trade talks in mid-2000, and Chile is an active participant in the negotiation of the Free Trade Area of the Americas (FTAA).

Principal Growth Sectors

The principal growth sectors for 1999 and the medium term are likely to be energy, telecommunications, construction, mining, and financial services. The mining, telecommunications and forestry sectors have benefited from major investments by foreign, including U.S., companies.

Government Role in the Economy

Businesses in Chile are predominantly owned and controlled by private interests. Prices, except those of regulated utilities, are set freely. Although the military and democratic governments of the last twenty years have privatized many state corporations, the state retains holdings in several industries. The most important public corporation is CODELCO, the world's largest copper company, which the government has said it will not sell. In 1994 and 1995, the Frei administration sold the government's remaining share

in an airline and its electricity, shipping, and radio holdings. The majority of new highway projects, and port and airport infrastructure, are being built under a private concession program.

The public sector budget is approximately 22 percent of GDP. Important sources of tax revenue are the 18 percent value-added tax, personal income taxes, corporate taxes, and import tariffs. The top marginal personal income tax rate is 45 percent on income above \$75,000. The government generally runs budget surpluses of around two percent of GDP (though the surplus was less than one-half percent of GDP in 1998), but these are balanced somewhat by losses of the independent Central Bank.

Balance of Payments Situation

Chile's international reserves, \$16.6 billion as of end-May 1999, represent better than one year's worth of imports. For the last several years, capital inflows have more than made up for current account deficits. Due to continued surging domestic demand that increased imports substantially in 1998, monetary policy sought to reduce pressure on the country's current account by tightening real interest rates substantially (at one point, inter-bank lending rates were ratcheted up to 14 percent in real terms). The trade deficit grew to \$2.5 billion in 1998 (current surplus of \$1.2 billion for first half of 1999) and the current account deficit to \$4.5 billion (or 6.3 percent of GDP). The lag effect of this policy of monetary tightening has been registered in a continued decline in imports that has substantially reduced pressure on the current account; most observers expect the current account balance to improve to a level below four percent of GDP in 1999. Due in particular to strong investment flows, current account deficits of this level are sustainable.

Infrastructure Situation

The Chilean government has targeted the highway network for more, mostly private sector, investment. With the government awarding over \$1 billion in road concessions to allow private firms to build and manage toll roads, the Pan-American Highway, the major north-south route, is in good condition, but mostly at capacity. Concessions either have been awarded or are in the process of being awarded for the most heavily used 1,000 miles of the Pan-American Highway, from La Serena to Puerto Montt. There are adequate roads in many areas, but many secondary highways are unpaved, and there are some serious bottlenecks, particularly in urban areas.

Many international airlines operate from Santiago's airport, linking Chile with the United States and Europe. A number of adequate airports are located throughout the country. The government is upgrading many regional airports and expanding the international airport in Santiago through awards of concessions to private companies. Two privately owned Chilean airlines operate nationwide and link Chile with many foreign countries. Smaller regional airlines are also beginning to impact domestic air travel.

Major ports are located on the Pacific Ocean, the principal one being Valparaiso, which is about 80 miles (130 kilometers) from Santiago. Others are Arica, Iquique, Antofagasta, San Antonio, Talcahuano, and Punta Arenas. Foreign and local shipping lines cover the international traffic, whereas the coastal traffic is handled by several local companies, one of which is state-owned. Recognizing that the port facilities are largely inadequate for the growing and changing nature of Chile's trade, the government plans to award service and management concessions for the ports. Legislation authorizing port concessions was passed by the Chilean Congress in December 1997.

Telecommunications are excellent, and Chile has one of the best networks in the hemisphere. Cable, fax, telephone and Internet service rival those found anywhere in the world. The phone system is completely digital. There are eight international long distance carriers and three cellular telephone networks. Personal communication system (PCS) telephones were introduced in early 1998. Several Internet service providers supply the ever growing demand that has positioned Chile as one of the Latin American markets with the fastest Internet growth rate.

The Santiago subway has been in operation since 1976. It is efficient and well-maintained, and its third line was completed in April 1997.

Chile's railroad system, the fourth largest rail network in Latin America (5,511 miles, or 8,870 kilometers), urgently needs to be upgraded and expanded. The railroads are mostly property of the state-owned company "Ferrocarriles del Estado." The government plans to auction to private firms the right to operate the company's passenger service. There are two railroads connecting with Bolivia, one of which is privately owned.

CHAPTER III: POLITICAL ENVIRONMENT

Nature of Political Relationship with the United States

U.S.-Chilean relations are excellent. President Frei made a state visit to the U.S. in February 1997. In April 1998, President Clinton attended the Second Summit of the Americas in Santiago and led a delegation of seven cabinet officials for a reciprocal state visit to Chile. Chile is an active participant in numerous international organizations and supports a wide variety of key U.S. policy objectives.

Major Political Issues Affecting the Business Climate

Chilean politics is marked by broad consensus among the major parties about the importance of a democratic political system and a free-market economic system. Key differences between the governing coalition and the rightist opposition involve strategies for, and the role of government in, addressing issues such as poverty eradication, health care, infrastructure and education.

Brief Synopsis of the Political System

The government of President Eduardo Frei, a Christian Democrat leading a coalition of four center-left parties, will leave office in March 2000 after elections to be held in December 1999. Frei won an overwhelming victory in the December 1993 elections that brought him into office, beginning his six-year term on March 11, 1994, when he succeeded Patricio Aylwin (also a Christian Democrat). An engineer by training, Frei was a successful businessman before entering politics in the 1980s. Many of his closest advisors are U.S.-trained and share his commitment to Chile's successful free-market economic model.

Frei heads Chile's powerful executive branch and his center/left coalition has a majority of the elected seats in both the lower and upper houses of Congress (the Chamber of Deputies and the Senate). Nonetheless, the balance of power in the upper house is tipped toward the center-right opposition by nine appointed "institutional" senators.

For much of this century, Chilean politics has been marked by a three-way division between the political right, center and left, with each holding roughly one-third of the vote. Chilean politics today revolve around two large political blocs: the center-left governing coalition and the center-right opposition. The former includes the centrist Christian Democratic and Radical parties and the moderate leftist Party for Democracy and the Socialist Party. The latter includes the National Renewal Party and the Independent Democratic Union. Chile also has several small fringe-left parties, including a largely unreconstructed Communist Party, which are not represented in the Executive Branch or the Congress, but which have elected representatives in some local governments.

Election Schedule

December 1999: Presidential elections

March 2000: Presidential inauguration

June 2000: Municipal elections

December 2001: Congressional elections (all Deputies and half the elected Senators)

CHAPTER IV: MARKETING U.S. PRODUCTS AND SERVICES

Distribution and Sales Channels

Establishing a local subsidiary or branch office gives the best guarantee that the exporter will receive efficient service and appropriate promotion of its products. Any corporation legally constituted abroad may form, under its own name, an authorized branch (agencia) in Chile. This method of market penetration may involve a considerable investment, but can be justified if sales are large in volume or when local service support and/or inventory are necessary.

Another practical method is to appoint an agent or representative with good access to relevant markets and with a technical structure. Distances are great in Chile, and larger representatives usually have branch offices in different regions. Some large end-users, e.g. mining and forestry enterprises, demand quick service and specialized technical support.

Despite the elongated Chilean territory, its population of 15 million is very centralized: 40 percent live within 100 miles of the capital in the Metropolitan Region, which covers 5,927 square miles. Most manufacturing, trade, and service activities are managed from Santiago, the capital. It is common in Santiago for importers and manufacturers dealing in mass distribution items to distribute directly to large wholesalers or retail stores.

Sales outlets are the traditional storefronts as well as large department stores and supermarkets (and hypermarkets). Well-designed shopping malls are a booming business in Santiago and the larger cities throughout Chile. These malls are anchored by one or two large department stores surrounded by attractive specialty stores or boutiques. This is a good way to display and market textile products, electronic goods, sporting goods, cosmetics, office supplies, kitchen utensils, etc.

Few discount general merchandisers operate in Chile. Two general merchandisers operate, but they are not very discount or very comprehensive. This means that most products found in U.S.-style mass merchandisers (e.g., Walmart, Kmart, Target, Venture, Caldor, etc.) are still sold through more specialized retailers.

Few so-called category killers operate in Chile. Two larger (Chilean) electronic/appliance retail chains operate, but department stores still dominate the business. Home Depot opened in August 1998 and a local office supply store has tried to move to a larger format. Much remains possible in the retail sector.

Use of Agent/Distributor Service - Finding a Partner

Currently, about 3,000 importers operate in Chile; some of them also act as export agents. Most are small-to-medium size firms. Several large firms handle different lines of products and are large wholesalers. Almost all the firms have their main offices in Santiago. The larger ones have branch offices throughout the country, including in the free-trade zones. Other firms employ specialized traveling salespeople.

In general, foreign suppliers enter the Chilean market by appointing an agent, distributor or wholesaler. To be effective, this local representative must be aggressive, knowledgeable about the product, and well connected with decision-makers at end user firms. The representative will need to promote the products through newspapers, specialized magazines, radio, and TV. Agent/representative commissions normally range from 5 to 10 percent depending on the product. (For contract requirements, see "Need for a Local Attorney" in this Chapter.)

The U.S. firm should be thorough in selecting the agent or representative. For this purpose, it may wish to make full use of the several services offered by the U.S. Department of Commerce or its local U.S. Export Assistance Centers. These services include the Agent/Distributor Search (ADS), which helps identify interested agents and distributors; the Customized Market Analysis (CMA) market reports which can identify potential representatives and supplies a profile of the product in the market; and the Gold Key Service, which can assist exporters in arranging appointment schedules and support services that optimize their time and travel expenses.

Franchising

Since 1990, franchises have rapidly developed in Chile. Presently, there are about 60 franchises operating in Chile with over 200 franchisees, which during 1995 totaled sales of \$105 million and employed over 7,500 people directly.

Chile's good economic situation, open market attitude, credit access and high cultural level provide an excellent opportunity for this type of business. The steady growth of the Chilean economy has increased the pace of daily life, creating a good market for fast food and other services.

Most franchises installed in Chile focus on fast-food, including McDonald's, Au Bon Pain, Domino's Pizza, Pizza Hut, Taco Bell, Kentucky Fried Chicken, and Burger King. In the past year, several services franchises (Mailboxes, Etc., AlphaGraphics, and Powerhouse Gym) have opened. There is still a good and largely unexplored market for franchising in full service restaurants, nightclubs, amusement parks, sports facilities, automotive services, cosmetics, repair and rental services, cleaning (home and industrial), clothes, fitness centers, real estate business, hotels/motels, supermarkets and others.

Chile has no special laws on franchises. The Asociacion de Franchising de Chile (AFICH, the Chilean Franchise Association) was established in June 1995, but it has not been active and is still organizing its functions. Its main purpose is to obtain approval by the Chilean congress of a franchise law.

So far, franchise companies operating in Chile are subject to regular trade laws. The withholding tax on royalties is 35 percent; value added tax (VAT) is 18 percent; the

import tariff is a flat 10 percent with only a few exceptions for a few luxury products. There are restrictions that affect the operations of certain franchisors, e.g., phytosanitary (contamination of plants) regulations that, in effect, ban the importation of uncooked chicken or chicken parts.

Direct Marketing

Direct marketing is well established in the services sector, mainly in banking and financial institutions, seminar organizers, telecommunication services, etc. Direct marketing or catalog sales are not yet common in the market. The low interest shown by Chilean consumers is mainly based on mistrust of warranty claims and promises of after-sales services. The most common way is to hire personnel for telemarketing or mailing campaigns or to contract the services of a firm specializing in this type of service. Data base listings are not easily acquired and commercial firms are cautious in keeping their customers' privacy. However, some firms such as DICOM and Public Mail do sell data base listings or offer complete telemarketing and mailing services. Public Mail can also provide customized sales prospects listings and updates upon request.

Chilean consumers prefer to window-shop, walk and browse in shopping malls or shopping districts and personally choose the goods rather than purchase through catalogs. Exchange of products in Chile is a complicated matter for vendors, who are not inclined to return the money due to VAT complexity.

Electronic Commerce

Electronic commerce is not yet a factor in Chile. Some companies in the hardware and supermarket business have set up, but the volumes are minute. Chileans unaccustomed to even catalog shopping are not ready for electronic commerce. In addition, Chile is not as "wired" as some other Latin American countries. The potential market is still quite small. This sales method is some years away.

Joint Ventures/Licensing

Joint ventures and licensing arrangements require a legally established local partner who can be responsible for Chilean legal and taxation obligations. The various administrative, commercial, profit distribution, and other issues involved in the association are established in contracts drawn up between the partners in accordance with Chilean law and tax regulations.

As Chile continues to establish itself in world markets, its growing and stable economy make more sectors attractive for joint ventures and licensing. These mechanisms are especially attractive when local manufacturing or finishing capacity exists for products whose market costs are affected by shipping costs.

Joint ventures are also attractive because they allow U.S. firms to approach more effectively sectors such as consumer goods and clothing. Other areas, especially where Chilean industry has increased its technology and productivity, may be attractive. One example of this competitive technique is the significant increase in production and export of denim wear under various brands. Other foreign apparel, cosmetics, and perfume manufacturers are also producing good quality, lower cost goods.

Steps to Establishing an Office

Incorporating in Chile is not expensive and takes little time. Chile has no minimum local participation requirement; inclusion of local partners is guided only by commercial considerations. However, a legally established corporation or partnership is absolutely necessary to do any business in Chile except for exporting to the country.

The first step for a U.S. citizen, corporation or entity wishing to do business in Chile on its own is to present a declaration of intent to invest in Chile to a Chilean Consulate, stating the nature of the business and the capital to be invested, simultaneously requesting a Permanent Residence Visa. This confers official residence status on the company, without which it will be barred from conducting commercial activities in Chile.

Within the framework of Chilean law, business entities can choose among various corporate forms, entailing somewhat different legal, taxation and other effects. Since the tax treatment is substantially similar for the various forms of businesses, the choice of entity is often guided by U.S. tax considerations.

Selling Factors/Techniques

The most important selling factor in Chile is price. Price-competitive products from Asian countries such as Taiwan and Korea far outsell more expensive European or North American products in consumer product categories such as electronics, appliances, and automobiles.

Where dependability becomes more influential, such as in advanced electronics and construction machinery, the customer often prefers more expensive North American or European products, based on decision factors of quality, durability, technology, good customer support, and a strong regional service structure where applicable. Price is the fundamental factor, but these others all influence the purchase decision, with the order of importance depending on the industry, the customer and the application.

Many of the larger representatives have regional offices in addition to their Santiago headquarters, or work with commissioned salesmen. More technical product categories are generally sold by visiting salesmen rather than in showrooms or retail outlets. Technical salesmen demonstrate products to clients who prefer to be visited in their

offices or are too far from sales points. More thoroughly trained technical sales support personnel often back up the salesmen during client visits.

Payment for major purchases is generally net 30 days when invoices are used. Over-the-counter purchases are paid in cash, check, or credit card. Most retailers use credit terms as a sales technique. Major department stores and chains issue their own credit cards.

Advertising and Trade Promotion

Television, radio, newspaper and magazine advertisement is used heavily to reinforce in-store merchandising methods. Private agencies handle most advertising. Most of these agencies belong to the Asociacion Chilena de Agencias de Publicidad (Chilean Association of Advertising Agencies, ACHAP), located at Guardia Vieja 181, Of. 302, Tel: (56-2) 231-0935, Fax: (56-2) 251-2354.

ACHAP estimates that about \$666 million was spent on advertising in 1998. Of this, 43 percent of advertising budgets was spent on television, with 77 percent of TV advertising revenues earned by TV Nacional and TV Universidad Catolica. Newspapers accounted for 35 percent of advertising revenues, with El Mercurio, the newspaper of record, absorbing about 58 percent of that. Radio advertising took 11 percent, outdoor advertising (billboards, subway posters, road signs, etc.) about 6 percent, and magazines 5 percent.

Chile uses the NTSC system for TV broadcasting. Chile has six national broadcast television networks. All of them, including State-owned, but autonomous National Television (TVN), are self-supporting through advertising.

TV broadcasting stations available in Santiago are: Channel 2, Channel 4, La Red; Channel 5, Universidad Católica Valparaíso (UCV); Channel 7, Televisión Nacional (TVN); Channel 9, Megavisión; Channel 11, Chilevisión; and Channel 13, Corporación de Televisión de la Universidad Católica, plus UHF television station Gran Santiago Television, Channel 21.

Programming depends heavily on foreign series and movies. Dubbed U.S. product predominates, but Mexican, Venezuelan, Brazilian, Argentine, and Japanese material can also be seen. Locally produced news, magazine shows, variety shows, and soap operas are high quality and draw large prime time audiences.

Cable TV

Cable television reaches an estimated 700,000 households in Chile, 51 percent of them in Santiago. Two major cable systems (Metropolis-Intercom and VTR-Cablexpress) operate in 95 percent of the country. Both rebroadcast all local stations and a host of international channels from the United States, Italy, France, Germany, Argentina, Brazil,

and Mexico. U.S. offerings include CNN International, HBO Ole, MTV, TNT, Worldnet, ESPN, Cartoon Network, and MSTV.

Radio

Radio is Chile's most extensive mass medium and reaches more people in more places than any other medium. Nearly all Chilean stations operate commercially and six have network affiliates. The National Radio Association (ARCHI) reports that there are 179 AM and 614 FM stations in the country, with 24 AM and 32 FM stations in Santiago alone. An estimated 93 percent of Chile's population listens to radio. The figure for Santiago is 97 percent. ARCHI's statistics state that there are 17 million radio sets in Chile.

Radio is a prime source of current news to millions of Chileans, and the national networks devote large budgets to maintaining professional news staff to meet the public's considerable news appetite.

The principal national networks are *Radio Cooperativa* (76 AM and 93.3 FM), number one in the metropolitan area; *Radio Chilena* (66 AM and 100.9 FM), and *Radio Agricultura* (57 AM and 92.1 FM). Other major musical and commercial FM radios are *Rock & Pop*, *Pudahuel*, *Corazon*, *Romantica*, and *Activa*.

Newspapers

Chile has approximately forty newspapers ranging from nationally-distributed dailies to small-town tabloids. Distribution ranges from as many as 300,000 copies (Sunday edition of Santiago's *El Mercurio*), to 3,000 copies of a regional paper. Santiago has ten major newspapers with a combined daily circulation of approximately 479,000. In the regions, the circulation of local dailies is approximately 220,000. Considering an average readership of three persons per newspaper, total readership, countrywide, can be estimated at more than 2,000,000.

There are two major established newspaper enterprises in Chile: the *El Mercurio* chain, owned by the Edwards family, which has 15 dailies affiliated throughout Chile, and *Consortio Periodístico de Chile (COPESA)*, owned by the Sergio de Castro and Carlos Latorre group, which publishes country-wide circulation *La Tercera*, popular *La Cuarta*, afternoon daily *La Hora* and the newsweekly *Que Pasa*. *El Mercurio* of Santiago, is Chile's most influential and prestigious paper and is nationally distributed. *El Mercurio* competes with *La Tercera* and mass-oriented *Las Ultimas Noticias* (Mercurio-owned) for the largest readership.

In addition, also published in Santiago are: economic and financial newspapers *El Diario* and *Estrategia*, and English language periodical *The News Review*, published twice a week. Government-owned *La Nacion*, the independent daily *El Metropolitano*, and the *Mercurio* chain's afternoon *La Segunda*, complete the newspaper panorama of Chile's capital city.

Virtually all towns of reasonable size in Chile have newspapers which focus on local news. Apart from the *El Mercurio* chain dailies, there are approximately 25 other independent regional dailies with small circulation. The most important regional daily is Concepcion's *El Sur*, with a circulation of approximately 30,000.

The largest in advertising revenues is **El Mercurio**:

- EL MERCURIO S.A.P.
Santa Maria 5542, Las Condes, Santiago, Chile
Tel: (56-2) 330-1111
Fax: (56-2) 228-9262

All Chile's leading newspapers carry weekly inserts or supplements on agriculture, construction, computers and fashion. It also publishes special inserts on various topics, including vehicles, throughout the year.

Magazines

The major news weeklies and magazines published in Santiago for a nation-wide readership are: *Que Pasa*, (app. circulation 20.000) a newsweekly which covers current events and political analysis; biweekly *Ercilla* (app. circulation 12.000), plus three business oriented monthly magazines, *America Economía*, *Capital* and *Gestion*.

High circulation *Cosas* and *Caras*, profusely illustrated biweeklies with a Life format, carry "jet set" type articles as well as political interviews of national and international interest. Other publications include *El Siglo*, the weekly Communist Party official publication; *Punto Final*, a biweekly publication of the extreme left group Movimiento de Izquierda Revolucionario (MIR); *Paula*, a women's magazine; *Mensaje*, an intellectual monthly published by the Jesuits, and several sports and TV/motion picture magazines.

Approximate circulation for Santiago's major newspapers and magazines:

Approximate

Dailies

Circulation	Monday - Friday	*Sunday
La Tercera	120,000	230,000
El Mercurio	70,000	300,000
Las Ultimas Noticias	80,000	100,000
La Cuarta	100,000	100,000
El Metropolitano	30,000	30,000
La Segunda) (Evening)	35,000	N/A
La Hora(Evening)	12,000	N/A
Estrategia	15,000	N/A
El Diario	12,000	N/A

La Nacion	16 5,000	
Total	479,000	760,000

Magazines:

Newsweeklies

Que Pasa	20,000
Total	20,000

Biweeklies

Ercilla	10,000
Cosas	25,000
Caras	20,000
Total	55,000

*All circulation figures represent projected daily nationwide sales, and are only estimates, as no dailies submit circulation figures to public verification.

The following are estimated ratings from the National Television Council for the six national broadcast networks prime-time news programs for the month of May 1998. Each point represents approximately 35,000 homes and/or approx. 140,000 viewers.

TVN - National Television of Chile (Channel 7)	24.3 points	
State-owned		
UCTV - Catholic University of Chile (Channel 13)		23.9 points
Privately-owned (Catholic University of Chile)		
Megavisión (Channel 9)	14.5 points	
Privately-owned (Televisa owns 49 percent)		
Chilevisión (Channel 11)	5.9 points	
Privately owned (major U.S./Venezuela company "Ibero-American Media Partners" share)		
Rock & Pop (Channel 2)	0.5 points	
Privately owned (Compania Chilena de Telecomunicaciones).		
La Red (Channel 4)	N/A	
Privately-owned (Mexican investor Angel Gonzalez).		

Pricing Products

Generally, a 10 percent tariff is levied on the CIF value of all imported products, including all products manufactured in the U.S. As of January 1, 2000, this tariff will be

9 percent, declining one-point percent per year until year 2003 when tariff will level to six percent. This and a Value Added Tax of 18 percent are paid by the importer and not by the supplier. There are some exceptions: government entities do not pay these fees, and some luxury goods have higher tariffs. Imports from countries with which Chile has bilateral trade agreements are covered by different, preferential tariff schedules.

Pricing starts with a fairly straightforward formula based on CIF costs plus generally constant ship-to-warehouse expenses. Gross margins for consumer goods are generally 30-50 percent or more for direct sales to consumers, or 20-30 percent each for the importer/distributor and the retailer when a distribution chain is in place. The final price for mass-distributed U.S. items should be competitive with imports from Asia and countries like Brazil. Higher-priced items must identify niche market segments to prosper. More specialized products are sold by stocking distributors, or by commissioned agents who generally earn 5-10 percent on their sales.

Sales Service/Customer Support

Customer service and support are fundamental to successfully penetrating and retaining market segments other than consumer products. The distance and communications hurdles separating local buyers from foreign suppliers are a perpetual worry, as many buyers have been left stranded after buying a product with insufficient or no post-sale technical support.

In addition to the fact that consumer rights are slowly becoming a real issue, any product with an extended lifetime and a need for operator training, for consumables and/or for technical service must have this support provided by a stable local company with solid support from the overseas supplier. Bad reputations acquired by disregarding customer needs are hard to shake.

Selling to the Government

Government entities usually do their own procurement. Chilean law calls for public bids for large purchases, although procurement by negotiation is permitted in certain cases.

Foreign and local bidders on government tenders must be registered with the Chilean Direccion de Aprovechamiento del Estado (Bureau of Government Procurement Supplies), Amunategui 66, piso 4, Santiago, Chile. They must also post a bank and/or guarantee bond, usually equivalent to 10 percent of the total bid, to assure compliance with specifications and delivery dates. Bidding is best done through a local agent who is registered, well-connected and familiar with the bidding procedures. (See Appendix C for a list of government agencies.)

Protecting Your Product from IPR Infringement

Chile belongs to the World Intellectual Property Organization, and patents, trademarks, industrial designs, models and copyrights are protected in Chile by the provisions of the International Convention for the Protection of Industrial Property (the Paris Convention). Chile's intellectual property regime is generally compatible with international norms, with a few exceptions. Industrial designs and models are protected for a non-renewable period of 10 years. The registration of trademarks is also valid for renewable periods of 10 years.

In 1992, the Chilean Congress approved legislation that expands copyright protection from 30 to 50 years. Despite this copyright protection, industry sources estimate that copyright infringement in Chile cost U.S. firms \$50 million in 1998. Most infractions are found in small and mid-size companies. Software piracy should decline as local suppliers adopt more vigorous legal strategies to protect their rights.

A common problem faced by foreign companies that wish to begin operations in Chile is that other individuals or companies may already have their trademarks. Chilean courts have been supportive in cases where the trademark has been "stockpiled" but gone unused, but less so in cases where investments were made in use of the trademark. In either case, proceedings can be lengthy and expensive. The foreign firm should make a business decision whether to take legal action or negotiate with the party who registered the trademark. A trademark should be registered as soon as the exporter/investor has any intention of doing business in Chile. Ownership of the trademark is not prejudiced by lack of use in cases where the registered party makes use of the mark in other countries, and trademarks may be perpetually registered in periods of ten years at a time. Firms wishing to register their trademarks should do so at the Ministry of Economy, Departamento de Propiedad Industrial, Teatinos 120, Piso 1, Tel: (56-2) 672-5522.

Need for Local Attorney

Given that contracts with Chilean firms must abide by Chilean laws, U.S. companies entering the Chilean market should have all legal documents drawn up or checked by a qualified legal counsel. The Commercial Section of the U.S. Embassy in Santiago can supply a list of attorneys practicing in Santiago.

Suppliers can establish their legal relationship with a local representative in one of two ways: an ordinary work contract regulated by Labor Law 19.010, for which some legal guidance is advisable, or the more customary commercial or commission contract, where the parties establish their own terms and conditions, and are not bound by requirements of Law 19.010, especially its severance conditions.

To avoid legal expenses under a commission contract, the supplier should: (a) establish specific performance conditions for the representative; (b) decide upon ground rules for termination; (c) determine territory to be covered by the representative, as the supplier may later wish to appoint additional agent(s) elsewhere in Chile; and (d) have local

counsel review the text to ensure its consistency with Chilean law. In establishing a contractual relationship with a local representative, the U.S. supplier should also ascertain its contractual liability vis-a-vis the representative under Chile's labor law.

AmCham Chile

The American Chamber of Commerce of Chile (AmCham) can be helpful in doing business in Chile. A non-profit organization with over 500 corporate members and over 1000 individual members, AmCham conducts a variety of activities designed to promote trade and investment, and provides a good way to meet U.S. and Chilean businesspeople. The AmCham publishes a monthly magazine. For more information on AmCham and its activities, please call Jaime Bazan, General Manager, tel. (562) 290-9700, fax (562) 206-0911.

CHAPTER V: LEADING SECTORS FOR U.S. EXPORTS AND INVESTMENTS

Some of this year's best prospects show declines in sales, but this is because economic growth will be sharply reduced in 1999. Expectations are considerably higher for 2000 and beyond. The selected sectors are largely capital goods, where the U.S. is the acknowledged leader and has a comparative advantage conferred by its technology and manufacturing prowess for these categories of products. Investment is down sharply this year in Chile due to the economic uncertainty, but recovery will unleash pent up demand that will spur increased purchasing.

Best Prospects for Non-Agricultural Goods and Services (ranked by growth rate) (millions of dollars)

	Sector	Total sales(%)		Total (1999)	Total Market (1999)	U.S. Imports Imports (1999)	Est. Inc. in 1999
1.	Pollution Control	1,400	1,393	542	44		
2.	Telecom Equipment	1,400	1,330	465	40		
3.	Travel & Tourism	N/A	N/A	N/A	10*		

				20	
4.	Medical Equipment	231	231	116	10
5.	Security Equipment	52	42	18	8
6.	Computer Equipment	1,300	710	355	8
7.	Electrical Power Equipment	535	190	47	2
8.	Air Cond.& Refrigeration	204	204	67	2
9.	Plastics Mach. and Resins	490	333	85	1
10.	Mining Equipment	750	450	250	0
11.	Port Equipment	380	386	215	-1
12.	Building Materials	4,400	300	80	-2
13.	Food Processing Equipment	152	160	91	-2
14.	Construction Equipment	560	345	145	-3

*Based on the increase in the number of travellers. All figures in this table are dollars, but no dollar figures exist for expenditures by Chilean visitors to the U.S.

1. Pollution Control Equipment (POL)

Chile has many environmental problems and is moving in efforts to overcome them. There is a great opportunity for U.S. companies to get involved in this process. The most important areas are sewage treatment, treatment of industrial effluents, and transportation.

The government has ambitious goals to provide all the population with potable water and adequate sewage treatment. The Chilean Congress approved privatization of the sanitary companies in November 1997. The two largest, ESVAL (Region V, includes Valparaiso and Vina del Mar) and EMOS (Santiago) have already been awarded to private operators and are drawing up plans.

The privatization of the sanitary companies will increase business opportunities dramatically. It is estimated that about US\$ 7 billion might be invested in the next five years in this subsector, depending on the privatization process, the regulations imposed on the industry for wastewater reduction, and enforcement of the standards.

Until recently, water supply and sewage were in hands of 13 sanitary companies owned by the state agency, the Chilean Development Corporation (CORFO), which owned 92 percent. Private parties owned only 8 percent. The Sistema Administrador de Empresas (SAE), the organization that manages all of CORFO's companies, administers the sanitary companies. SAE has 2.6 million customers representing 92 percent of the urban population. The companies are organized as corporations to produce and supply drinking water, and to collect, treat and dispose of wastewater. Only 18 percent of Chile's water (and only 3 percent in Santiago) receives treatment of any kind.

The Chilean government decided that ownership by independent investor companies could exceed 35 percent. The employees of the companies will own 10 percent, pension funds will be able to own another 10 percent, and 45 percent will remain in government hands. To make the privatization process more attractive for the investors, the government decided to give administrative control of the company to the new owner of the company by allowing them to name four of the seven board members. On June 11, 1999, Emos was sold for \$ 984 million to a foreign consortium formed by Aguas Barcelona (Spain) and Suez Lyonnaise des Eaux (France). The foreign investors will control 42 percent of Emos' shares.

The main short-to-medium term opportunities are in the construction of wastewater collection and treatment infrastructure in Santiago and the rehabilitation and expansion of the water supply in several regions of the country. However, regardless of privatization, most of the sanitary companies have plans that call for action within the next two years.

In another area, the Chilean Government recently approved \$1.5 million to include compressed natural gas (CNG) buses in the Natural Gas Bus Program for the Metropolitan Region, as part of the Clean Cities Program in Santiago. The plan is to provide funding to transportation entrepreneurs to cover the cost difference between a regular diesel bus and a CNG bus. The National Environmental Commission for the Metropolitan Region is developing an operational procedure.

Projects in the private sector are another important source of potential business for U.S. companies in Chile. These projects typically involve pollution control through remediation of existing facilities and the permit approval for expansion or the construction of additional capacity. However, these projects are not public information since private companies are more sensitive about environmental issues and compliance with regulatory framework. There are many kinds of water contamination, depending on the nature of each industry.

The best prospects for the short-medium term include the following areas:

- Sanitary services: U.S. consulting, design and engineering companies should form teams with other international and local companies to offer a full range of services and bring in sufficient financial resources.
- Municipal wastewater treatment. The largest investments in wastewater treatment will be in the Metropolitan Region.
- Drinking water supply systems. Smaller scale systems for municipalities, industrial developments, and tourist areas.
- Innovative water reuse and recirculation systems for municipal and industrial applications (especially mining).
- Pollution prevention and control equipment for key industrial sectors such as mining fish processing, pulp and paper, and food processing.
- Sludge-processing equipment for mining operations.
- Pre-treatment technology for wastewater discharged into municipal systems.
- Water quality-monitoring equipment.

DATA TABLE
(millions of dollars)

	1998	1999	2000
A. Total market size	750	975	1,400
B. Total local production	5	6	7
C. Total exports	0	0	0
D. Total imports	745	969	1,393
E. Imports from the U.S.	377	452	542

The above statistics are unofficial estimates.

2. Telecommunications (TEL)

The Chilean telecommunications sector is completely privatized, very open and deregulated. This generates fierce competition between telecommunication companies and benefits the end users. Wireless communications are expected to develop most in the coming years. Total investments for 1999 are estimated at about \$1 billion dollars.

Many of the investments will be in the network and basic telephone services.

wireless communications sector, CATV

WIRELESS

Calling Party Pays, recently approved by SUBTEL, was implemented in Chile in January 1999. This system is expected to provide incentives for the development of cellular communications, so wireless subscribers will reach 1,600,000 by the end of 1999. According to statistics from different local companies, wireless subscribers totaled 802,744 as of November 1998, of which 58 percent were with CTC, 23 percent with BellSouth, and 19 percent with Entel.

BellSouth purchased from Entel its cellular license for \$90 million. Until now, BellSouth had a license to operate in the Metropolitan and Fifth Regions only. This new license will allow it to cover the entire country. BellSouth will invest another \$100 million in a digital network to operate throughout Chile.

CTC announced that it will add \$100 million to its originally planned \$90 million investment plan for its subsidiary Startel (cellular, paging, trunking), due to the impressive growth the Chilean telecommunications sector is experiencing in wireless communications. Total investment plans for CTC reach \$500 million. According to its General Manager, the implementation of Calling Party Pays has increased its subscribers to 765,000. CTC estimates that they will reach 1,000,000 by the end of 1999.

In addition, the introduction of personal communications services (PCS) has doubled the existing wireless market, which has reached a penetration of 6 percent compared to 2.7 percent in 1997. Entel has two PCS licenses; a joint venture of Telex Chile and Leap Wireless (a subsidiary of Qualcomm) owns the other.

Entel, with the sale of its cellular license for \$190 million, will be able to improve its results for 1999 and continue to invest in its networks. The Luksic group purchased 6.6 percent of Entel for \$27 million. Entel will be able to invest without requesting high interest loans. Entel estimates it will have 500,000 subscribers by the end of 1999. Entel PCS launched its Iridium project in Chile, a satellite network with worldwide coverage.

CABLE TV

United International Holding (UIH) became the sole owner of VTR Hipercable by purchasing the 66 percent of the company that was owned by VTR S.A. VTR Hipercable, the largest cable TV supplier, also provides basic telephone service in some areas of Santiago. UIH plans to invest \$250 million in a three-year period to increase the 400,000 CATV subscribers it has today.

LONG DISTANCE SERVICES

In Chile, ten long distance carriers operate. Recent changes in Chile's telecom regulatory provisions have resulted in a reduction in the international access fee. Long distance carriers are optimistic that these measures will make their business more profitable and reduce alleged cross subsidies between the dominant local operator, CTC, and its long distance operator, CTC World.

BASIC TELEPHONE SERVICES

All the companies that provide basic telephone services have their own expansion plans for this year. Their interest is to increase the amount of subscribers and compete by providing value-added services.

CTC plans to invest \$500 million by the end of 1999. CMET will invest \$50 million to increase its subscribers to 160,000 by the end of 1999. Telefonica del Sur plans expansion to other regions of the country. It already has SUBTEL's authorization to operate in the cities of Los Angeles, Chillan and Concepcion in the VIII Region. In 1999, Telefonica del Sur plans to invest \$20 million to install new lines and anticipates growth of 15 percent.

VTR, wholly owned by UIH since April 1999, will concentrate on expanding through its cable network. It hopes to increase the 35,000 basic telephone subscribers that they have today to 400,000 by year 2002.

NEW TECHNOLOGIES

SUBTEL announced that it will call for public bidding to award licenses for Local Multi Distribution System (LMDS). It is estimated that five companies are interested in providing services through this wireless technology for fixed telephony, also known as wireless fiber optic.

Internet telephony is expected to generate a revolution in the telecommunications market. Entel, VTR, CTC and FirstCom are getting ready to launch their projects during this year.

DATA TABLE
millions of dollars
1998 1999 2000

A. Total market size			842	1,000	1,400
B. Local production	55	62	70		
C. Total exports			0	0	0
D. Total imports	787		938	1,330	
E. Imports from the U.S.	257	328	465		

The above statistics are unofficial estimates.

Figure were provided by Comex On Line

3. Travel and Tourism Services (TRA)

The U.S. continues to be the most popular destination for Chilean tourists. The excellent tourism infrastructure, shopping and recreational activities, including beaches and resorts, make the U.S. the most attractive destination for Chileans.

Chile's high economic growth has stimulated Chileans to travel abroad for business, professional training, studying, and also for tourism, entertainment and shopping. Although 1998 was a difficult year from an economic point of view, 164,400 Chilean tourists visited the U.S., up 10 percent from the previous year.

Currently, European airlines are using the low-season months to offer incredible promotions to travel to Paris, London, Rome, Amsterdam, and others. The Caribbean is a popular attraction with Chileans, who like the white sand beaches and clear waters. It is difficult to compete with Caribbean all-inclusive packages. Airlines flying to the U.S. are also offering "ever seen" rates to different cities of the U.S. to compete with other packages.

The U.S. tourism industry should be present in the Chilean market by assigning representatives, advertising locally, participating in promotional events, organizing familiarization trips for press people and wholesale operators. It should be kept in mind that selling a new destination requires a lot more visits and trips than just coming once a year to participate in a tourism show.

DATA TABLE
(thousands of travelers)

	1998	1999	2000
--	------	------	------

A. Total market size (total outbound travelers)	1,361	1,490	1,640
E. Total U.S. imports	164	185	205

The above statistics are estimates based on 1998 statistics provided by Servicio Nacional De Turismo.

4. Medical Equipment (MED)

Chile has one of the most developed and open economies in Latin America and is among the best-rated emerging economies. Chile currently spends 7 percent of its GDP on health care and has doubled its health budget since 1990. This year, health care will

demand US\$2 billion from the fiscal budget, making it one of the largest government expenditures. Although the Chilean government has assigned priority to the improvement of the national public health care sector again this year, the Asian crisis has forced the government to cut back part (approximately one percent) of the already assigned budget. This budget cut will delay infrastructure projects that the 1999-2000 fiscal year budget will consider. All other health care purchases will remain untouched.

The Chilean government guarantees health care coverage as a constitutional right and is committed to improving the national public health system that provides health care for approximately 70 percent of the 14.6 million population. Although the market is not large, it is dynamic and healthy. Several programs for large-scale purchases of modern equipment as part of an effort to upgrade the public and private health sectors have received government approval.

The government's Health in Action Program 90-2000, which has already invested over one billion dollars, has realized 19 new and re-constructed hospitals plus several modernized hospitals with new services. A large number of private and some public sector hospitals are expanding their present facilities or projecting the construction of new ones. On the other hand, most private hospitals and clinics presently have the financial resources to upgrade equipment and services but because of the country's current economic situation they are being cautious in their expenditures.

Chile is well known for the openness of both its trade practices and overall economic system. Foreign suppliers currently do not face significant trade barriers in entering the Chilean market.

The growth of the medical device market is largely the result of government reforms initiated by President Frei to deregulate the health care sector thus giving hospitals greater purchasing power. Chile's Ministry of Health amended the Sanitary code in March 1997 to authorize its Institute of Public Health (ISP) to regulate medical devices for the first time. The ISP proposed the new device regulations in March 1998. Congress is currently reviewing the new regulations for approval. Chile previously did not directly regulate devices

On January 1999, Chile's flat custom duty was reduced from 11 percent to 10 percent. This is the first stage of a tariff reduction program that targets a 6 percent tariff by 2003. This is achieved through annual reductions of one point percent. The 18 percent VAT tax remains the same.

The U.S. has been Chile's most important supplier of medical equipment for years. U.S. main competitors are Japan and Germany.

DATA TABLE
(Millions of dollars)

		1997	1998	1999
A.	Total Market Size	170	210	231
B.	Total Local Production	N/A	N/A	N/A
C.	Total Exports	N/A	N/A	N/A
D.	Total Imports	170	210	231
E.	Imports from the U.S.	85	105	116

The above statistics are unofficial estimates.

5. Security Equipment (SEC)

This market rises and falls due to various factors and can vary substantially from year to year. The construction industry is key. It declined dramatically in Chile due to the Asian crisis, but should begin to recover at least partially by the end of this year, bringing the safety and security industry with it. An energy crisis causing rolling blackouts has further hurt the economy and construction, but the rise in crime during the blackouts offsets this somewhat by increasing demand for security equipment to combat it. Also, insurance companies increasingly demand that firms have adequate security programs to reduce insurance premiums, which tends to offset the construction-related decline somewhat.

Industry and commerce have been increasing and upgrading their security systems. Products such as automated entry, unauthorized entry prevention systems, theft prevention devices and systems, and drug testing equipment are in demand in Chile.

The cultural aspects of the country should also be considered. Crime is low in Chile, but recently has increased. The media know what sells, and have played up crime stories, leading to a certain amount of paranoia. Personal security has become a much more important issue.

For this industry, an average growth of 8 percent is expected for this year. During 1998, the imports for this industry came mainly from the U.S. (43.2 percent), followed by China (10.3 percent) and Taiwan (7.5 percent).

DATA TABLE
(millions of dollars)
1997 1998 1999

A.	Total market size	58	48	52
B.	Total local production	10	10	11
C.	Total exports	1	1	1
D.	Total imports	49	39	42

	28		
E. Imports from the U.S.	19	17	18

The above statistics are unofficial estimates.

6. Computers & Peripherals (CPT)

Chile continues to be a good market for U.S. computers and related equipment suppliers. It is expected that computer equipment usage will steadily growth by 6 percent this year and even more as the market recovers from the current slowdown.

Chilean imports of information technology products and related equipment totaled approximately US\$1,200 million in 1998. This represents a 10% increase from 1997. Of this amount, approximately US\$600 million represents computer equipment imports. Computer sector growth is estimated to reach 6 percent in 1999. Personal computers and workstations are in highest demand, followed by mid-size equipment. Internet usage is also growing.

After the Chile/Canada free trade agreement was enforced, the tariff for importing computer products into Chile was eliminated. Now U.S. suppliers can compete in equal terms with other supplying countries.

Chile's major supplier of computers and peripheral is the U.S. who accounts for about 50 percent of the market. The main competitors are Singapore, Mexico, Ireland, and Taiwan.

DATA TABLE
(Millions of dollars)

		1997	1998	1999
A.	Total Market Size	1100	1200	1300
B.	Total Local Production	8	8	9
C.	Total Exports	8	8	9
D.	Total Imports	593	653	710
E.	Imports from the U.S.	310	323	355

The above statistics are unofficial estimates.

7. Electrical Power Systems and Equipment (ELP)

The market for power generating equipment and supplies looks promising. New power plant construction, started in 1996, will continue through at least 2008. According to the most recent projections of the Comision Nacional de Energia (National Energy Commission, or CNE), electricity demand will grow over 8 percent yearly into the next

century (10 percent in the Northern Grid and 8.5 percent in the Central Grid). The electricity sector has grown much faster than the overall Chilean economy. Chile has 8.4 GW of installed capacity, but projected demand to year 2008 will require 40 percent more capacity, a \$4 billion investment.

The new actor in the energy sector is natural gas, which first appeared in 1997. Gas now feeds several combined-cycle power plants, which replaced existing coal-fired plants. In addition to reducing initial investments and operating costs, combined-cycle technology is expected to alleviate Santiago's severe air pollution. The Central Grid will benefit also from co-generation. For the near future, Chile will have to rely even more heavily on gas-fired plants if the current severe drought continues.

Although Chile's market is small, competition is intense. Many foreign firms are represented locally, are aggressive, and follow projects closely. Projects developed in 1998-99 allowed U.S. suppliers to capture a 45 percent market share. To enhance long-term business relationships with Chilean customers, U.S. firms should promote more, invite decision-makers to visit facilities, and train local technical staff.

Hydroelectric plants once provided about 70 percent of Chile's electricity, but not any more. In 1999 no more than 40 percent came from hydropower; the balance came from thermal generation. Only an estimated 13 percent of total hydroelectric potential is utilized, but large viable sites are far from Santiago (40 percent of demand), requiring large transmission line investments. In the Santiago-Concepcion area, several rivers are capable of generating power out of gravity (run-off river plants). This technology alters the landscape less since it does not require major alterations of river basins, but some environmental groups oppose them on other grounds.

A growing number of gas-fired plants are operating, which is allowing Chile to phase out older coal-fired plants because of environmental concerns. The government has developed environmentally safer energy sources by enabling imports of natural gas from Argentina. This new fuel source powers several combined cycle plants in central Chile that feed the Central Interconnected Power System, the power grid that supplies most of Chile's cities and industries, except mining. Northern Chile will have two gas pipelines fully operational by the year 2000. This new energy supply has made it possible to feed thermoelectric power plants (a total of 1200 MW) to be connected to the Northern Interconnected Power System, which supplies mainly the mining industry. Due to the drought affecting central southern Chile, there is a growing likelihood that the Northern and the Central grids will be interconnected in the short to medium term.

The CNE and the Chilean Industrial Association (SOFOFA) have identified several investment projects to be completed by the year 2008 (as described later in this section). Some proposed gas plants may not be built if Chile signs a bilateral treaty with Argentina to interconnect the two power grids.

The figures above may possibly underestimate investment needs since they include only those projects already planned by the utilities. ENDESA, the leading private power generation in Chile, forecasts that between the year 2002 and 2012, an additional capacity of 21,000 MW costing some \$8 billion should be invested just to meet the foreseen demand.

Best prospects in this sector are gas turbines, watertube boilers, generators, switches, insulators, electric connectors, hydraulic turbines and parts, and dielectric liquid transformers.

Data Table

(millions of dollars)	Data Table		
	1997	1998	1999
A. Total market size	440	524	535
B. Total local production	296	348	354
C. Total exports	6	7	9
D. Total imports	150	183	190
E. Imports from the U.S.	36	40	47

The above statistics are unofficial estimates.

8. Air Conditioning & Refrigeration (ACR)

The Chilean market for air conditioning and refrigeration demands imported, latest generation technology. The air conditioning subsector runs from split units to sophisticated climatization systems. The residential segment is not very developed or attractive. Chile's climate is quite moderate, with warm, but not humid, days in the summer and cool nights. Few single-family homes have air conditioning. The main market is for industrial and commercial use.

In the industrial refrigeration subsector, local vendors offer what is known as refrigeration projects that present an integral solution for each case. This approach tries to satisfy the production and efficiency requirements of each firm in fishing, fresh fruit, processing of meat and dairy products, chemicals, laboratories, hotels, supermarkets and restaurants, among others. Vendors provide a selection of components for the project, such as refrigeration chambers, post harvest cooling systems, walk-in coolers and freezers, ice machines, cold storage rooms, etc., for the specific needs of each company. Chile's supermarket industry is quite developed and provides a solid market, especially since the cold and frozen chains still have some ways to go. The burgeoning fresh fruit export industry could provide additional growth. Refrigeration for trucks is an attractive niche as consumers become more discerning about freshness and acquire the income to pay for it.

The energy crisis that currently affects the country has hurt refrigeration plants in the dairy and fresh fruit business since the shutdown in the supply affects the capacity of the plants to maintain their low temperatures. The constant start-ups and shutdowns may provide an opportunity for parts and service although energy problems may prove to be temporary rather than endemic.

The average growth of this industry is projected at 2 percent, but will likely accelerate as the economy recovers. Chile produces little air conditioning or refrigeration equipment, mostly fans. During 1998, the imports for this industry were mainly from the U.S. (32.7 percent), followed by Italy (12.6 percent) and Germany (9.7 percent).

DATA TABLE
(millions of dollars)

	1997	1998	1999
A. Total market size	196	200	204
B. Total local production	5	5	5
C. Total exports	4	5	5
D. Total imports	197	200	204
E. Imports from the U.S.	64	65	67

The above statistics are unofficial estimates.

9. Plastics Production Machinery and Resins (PME, PMR)

As the Chilean economy expands, so does its demand for industrial equipment and supplies, particularly those sectors that reflect industrial modernization and the sophistication of consumers. The plastics industry is a good example. In 1998, the plastics industry expanded 10 percent, more than the Chilean economy as a whole. However, in 1999, the economy slowed and the industry followed.

Chile's market is small by U.S. standards, but average per capita consumption of plastics has grown 52 percent since 1992, to 65 lb/year, still less than the 132 lb/year per capita consumption in developed markets. On average, the U.S. has 25 percent of total imports. Local competition is intense, particularly among suppliers of machinery, which are mostly from Italy and Spain.

Chile is expanding local production based upon demand existing in the markets of its MERCOSUR partners, which translates into growing exports to this region.

DATA TABLE
(millions of dollars)

1997 1998 1999

A. Total market size	440	485	490
B. Total local production	160	185	190
C. Total exports	20	35	40
D. Total imports	300	335	333
E. Imports from the U.S.	76	88	85

The above statistics are unofficial estimates.

10. Mining Equipment and Supplies (MIN)

Mining is the most important economic sector in Chile, comprising 8 percent of GDP and 48 percent of exports. Mining is expected to grow 5 percent annually through 2005. The mining sector, with annual production exceeding \$9 billion (mostly exported), will continue to lead Chilean industry because of foreign and domestic investment in new mines and/or modernization and expansion of existing ones. Public and private investment in mining will exceed \$4 billion through 2005. The parastate CODELCO is the world's largest producer of copper, but private mines will produce two-thirds of all Chilean copper. These figures may be underestimated since they include only mining projects already identified and under construction. However, current low prices for mining products are affecting investment, slowing development and postponing, maybe indefinitely, marginal projects.

It is difficult to disaggregate statistics for mining machinery and equipment as some of this equipment is also used by other industries. Nevertheless, Chilean customs data show imports of \$454 million in machinery for mining in 1998, 26.6 percent less than in 1997. This sharp fall is due to the completion of large mining projects and the lowest inflation-adjusted copper prices in 52 years. Nevertheless, recent estimates indicate that imports of mining equipment will stay at current levels through 2000, to grow 5-10 percent yearly thereafter. The portfolio of new projects and expansion of existing projects can be expected to regain momentum and increase the demand for mining equipment to approximately \$2.3 billion after the year 2000. (See the list of mining investment projects at the end of Chapter XX.)

Due to costs and an increasing tendency to downsize, many mining operations are currently outsourced. Mining firms, government-owned or private, are using construction, design, and engineering firms for mine development. Even equipment purchasing is left to these construction firms. CODELCO sources stated that they increasingly lease mining and/or construction equipment.

U.S.-made mining equipment enjoys great receptivity by the sector. Much of the equipment installed in new and expansion projects may be from the U.S. because of quality, after-sale service, and compliance with delivery dates. Brazilian, Canadian,

Japanese, and German manufacturers, competitors in Chile.

however, have become aggressive

DATA TABLE

(millions of dollars)

1997 1998 1999

A. Total market size	1000	750	750
B. Total local production	400	321	325
C. Total exports	18	25	25
D. Total imports	618	454	450
E. Imports from the U.S.	365	268	250

The above statistics are unofficial estimates.

11. Port Equipment (PRT)

As Chile's economy grew steadily in recent years, ports stagnated and are inadequate to handle the ever-increasing cargo, which has tripled in the last ten years. Trade agreements signed with Canada and many Latin American countries have greatly impacted Chile's foreign trade, 95 percent of which moves by sea. Although the Asian crisis has temporarily reduced economic growth, cargo should continue growing at an average of 10 percent yearly. This requires Chile to enlarge and improve port facilities and related service systems, as well as to build new ports.

Costs at Chilean ports are high due to slow and inefficient cargo handling. Poor infrastructure and operating systems are the key problems. With the projected modernization of Puerto Callao in Peru and the already improved Port of Buenos Aires in Argentina, Chile may be left out of international circuits if port facilities are not upgraded and systems are not improved to reduce unloading time. Ships wait days for servicing, increasing costs. The average container transfer rate is 15 per hour, which could increase to 35 per hour with new technology and management systems.

Chile has 34 ports, plus other minor facilities that belong to companies in the mining, cellulose, and chemical industries. Of the 34 ports, 24 are privately owned. The remaining ten were previously managed by owned by Empresa Portuaria de Chile (Emporchi, Chilean Port Authority). The Chilean government technically and legally owns them, but new legislation has approved their privatization by authorizing the ten newly independent port companies to grant concessions for private operators and investors. This will allow private investment to upgrade existing facilities, improve operating systems, and build new sites. So far, five of the most important privatized ports are carrying out separate bid processes.

Estimated minimum private investment for state-owned ports in the next 5 years is projected at US\$ 500 million, plus US\$ 600 million for private ports such as Lirquen, Mejillones, and Lota. Mejillones is projected as a mega-port and could eventually require \$600 million in investment. Each port could become a stand-alone business, attracting private investment and promoting competition. Bids were to have been awarded by late August. The first private concessions will begin to operate by early 2000. The ports that are currently having their bidding processes are:

Port	Cargo transferred (metric tons)
Port of San Antonio	5,923,500
Port of Valparaiso	3,969,700
Port of San Vicente/Talcahuano	2,462,700
Port of Arica	1,408,700
Port of Iquique	1,349,000
Total cargo transferred by these five ports:	15,113,600

Per the statistics that follow, this figure represents approximately 30 percent of the total cargo transferred in Chilean ports, and almost 80 percent of the cargo transferred at state-owned ports:

Cargo transferred at private ports	31,313,400
Cargo transferred at state-owned ports	18,915,200
Total cargo transferred in Chile	50,228,600

Imports mostly supply the port equipment market. The U.S. is the largest supplier, averaging 50 percent of the port equipment market. Market access for port equipment is barrier-free. Used capital goods can be imported and are exempt from the tax imposed on the importation of used equipment and products, which is 50 percent of the regular 10 percent import duty.

DATA TABLE

(Millions of dollars)	1997	1998	1999
A. Total market size	488	383	380
B. Total local production	2	3	3
C. Total exports	10	9	9
D. Total imports	495	389	386
E. Imports from the U.S.	253	205	215

The above statistics are unofficial estimates. Imports are based on Chilean Custom Service reports. Some distortion must be considered since harmonized codes included in these statistics are used in other industries such as construction and mining.

12. Building Materials (BLD)

The Chilean market for building materials declined during 1999 due to a recession. However, as the Chilean economy recovers, this sector remains a best prospect for the year 2000 and beyond.

Before 1999 Chile's construction sector was growing steadily through new hotels, apartment and office buildings, malls and commercial outlets, and single-family homes. The Chilean Construction Chamber foresees more than \$20 billion of in private investment through the year 2002. Most will be in construction of infrastructure, housing and industrial facilities.

The private construction sector was hurt most by the steep increase in interest rates in 1998 and 1999, which reached 14 percent real (18 percent nominal). Now that consumption has stabilized, interest rates have returned to normal (around 10 percent nominal). This interest rate reduction is fueling again the active pace shown by the mortgage industry only a year ago. The inventory of new houses and apartments that was built up in 1999 should soon return to normal levels as sales reactivate.

Government/public construction programs were also hurt by budget reductions, but their decline was only half of that suffered by privately funded building projects. Public housing projects continued during the recession. Another growth factor comes from recently upgraded new construction standards which demand quality certification for every public housing project built by private constructors. This new regulation forces use of more sophisticated building products and materials.

Architects and builders also increasingly specify building materials of higher quality (similar to that of imports) to developers and other professionals. This trend has increased the awareness of good quality, an attribute of many imports. As a result, imports are becoming more visible because of their high quality, good design and attractive prices. Import prices are not substantially different from locally manufactured products.

This favorable trend towards imported products is stimulated by the rapid expansion of homecenters business. Do-it-yourself is becoming widely known and rapidly incorporated into Chilean custom. Currently there are two major homecenter chains in Chile (there is a third group that is not really a chain, but a consortium of small hardware stores). The largest and oldest is a Chilean-owned chain that covers the entire country. But Home Depot (from the U.S), a new player in Chile, is expanding in Santiago. It currently has three stores, with a fourth due by early 2000. Suppliers to these home

centers mostly are in countries covered by one of the Free Trade Agreements (FTA's) signed by Chile with Mexico, MERCOSUR (Brazil, Argentina, Paraguay and Uruguay) and Canada. A FTA with the European Union is under discussion. More recently, New Zealand and Korea have been added to the group of possible Chilean free trade partners. Chilean users are sophisticated and in general appreciate good quality products and the latest technology, all subject to competitive prices.

The domestic industry is vast and its products are widely used in low and middle income housing construction. Locally made products are exported mostly to neighboring countries; exports are slightly higher than total building product imports. However, imports are mostly finished products while exports are semi-processed products. Locally produced building materials are of good quality, but are not as attractive as some imported goods.

The export of building materials to other Latin American countries is also viable by using the Iquique free-trade port/zone in the North (easily reached by purchasers from Argentina, Peru, Bolivia and Paraguay).

High quality building products are imported from the U.S., followed by Brazil, Argentina, Spain, and Italy. Some of the above-mentioned building materials are increasingly made in Chile under foreign license and/or with joint-venture agreements.

U.S.-made building materials enjoy excellent acceptance due to quality, new designs, state-of-the-art technology and compliance with delivery dates. Most building materials imported are pipes and fittings, vinyl siding, elevators, insulation products, ceramic and asphalt tiles, mirrors and flat glass, aluminum window frames, anodized aluminum profiles, epoxy products, bathroom appliances, and blinds. Prefabricated houses have become more attractive to Chilean customers, but have to compete with Canadian suppliers who enjoy a zero tariff resulting from the existing Chilean-Canadian trade agreement.

Best prospects include ceramic and asphalt tiles, pipes and fittings, valves, insulation products, mirrors and flat glass, and elevators.

DATA TABLE

(millions of dollars)

1997 1998 1999

A. Total market size	4,151	4,500	4,400
B. Total local production	4,358	4,494	4,380
C. Total exports	320	300	320
D. Total imports	335	306	300
E. Imports from the U.S.	90	76	80

The above statistics are unofficial estimates.

13. Food Processing and Packaging Equipment (FPP)

Chile's food processing and packaging industry is still adjusting to the impact of the Asian crisis and a severe drought. The country's exports of processed foods and agro-industrial products to Asian countries have been harmed by their financial crisis. Commercial fishing has been severely affected by climate changes, and overexploitation has greatly reduced natural resources, causing several processing plants to close. Exports of processed fruits and vegetables have dropped in the last two years. All this has accentuated a natural slowdown despite the momentum of an earlier boom. Embassy contacts expect moderate growth of 3-4 percent for 1999-2000.

Economic change in Chile starting in the late 1980's pushed the food processing and packaging industry to develop rapidly. Food processing and packaging companies had to become competitive to survive, and invested large sums for technological updating and productivity enhancement. The market expanded significantly, and Chile became a major player in the international market for agro-industrial products and an important recipient of foreign investment. Food product exports soared, with growth of 85 percent up to 1,000 percent over 10 years.

Packaging has evolved into what is called "intelligent systems for product delivery." This stresses that the packaging process has become a critical element to link the product and information about it, more so in a market as competitive as Chile's. The packaging process now includes the complete manufacturing and sales cycle, including raw materials, production processes, packaging, distribution, and product use. This synthesis provides new and important benefits to the end user and reduces manufacturing costs. Projecting the packaging industry as a key agent in this new role provides for future strategic changes in the development of new packing and packaging products. The consumer is becoming more sophisticated and mature, requiring safer and more modern packaging for food products. The end user reacts positively to new packaging and is fast in responding to novelties in material, design and package size.

The food packaging and the food processing industries are extremely competitive, and very concentrated. Companies have merged or absorbed each other, leaving fewer companies competing fiercely. New food regulations call for new technology to be used, and quality control will be emphasized in production. The growing presence of women in the work force and the fast urban pace and lifestyle promote growth in food services, prepared food and frozen goods. Trade agreements between Chile and Canada, Mexico, Peru and Colombia, plus the association agreement between Chile and Mercosur (Argentina, Brazil, Paraguay and Uruguay) have greatly impacted Chile's foreign trade. Those countries are considered future export targets. Food processing and packaging machinery is needed to improve production speed and efficiency.

The U.S. is an important supplier of machinery for this industry, but Italy, Germany and other European countries are aggressive competitors. With market globalization, European companies follow their clients throughout the world. Chilean executives state that, in general, European companies are more open to negotiation, that they respond sooner than U.S. companies, and that their general attitude is to do as much as possible to close a deal. In contrast, they claim that U.S. companies are very rigid and don't respond promptly.

DATA TABLE

(Millions of dollars)

	1997	1998	1999
A. Total market size	149.2	155.0	152.0
B. Total local production	N/A	N/A	N/A
C. Total exports	6.0	6.5	8.0
D. Total imports	155.2	161.5	160.0
E. Imports from the U.S.	88.9	93.0	91.0

The above statistics are unofficial estimates.

14. Construction Equipment (CON)

The Chilean construction sector was one of the fastest growing sectors, fueled by the steady economic growth of the Chilean economy. However, the Camara Chilena de la Construcción (Chilean Construction Chamber), stated that in 1999 construction spending would fall 8.3 percent. Despite this contraction, over \$8 billion will be invested in construction. Of the subsectors with growth potential, government-funded housing projects and the reinvigorated public concession program, especially, will lead industry expansion. Over \$2 billion will be offered in public bids for build-operate-transfer (BOT) public infrastructure projects ranging from urban freeways to water and wastewater treatment systems to irrigation projects. The picture for 2000 looks more promising than 1999 because of recently reduced interest rates.

The Minister of Public Works has made clear that Chilean infrastructure must be modernized to enable future economic development and take advantage of the commercial agreements signed by Chile. The next growth area will come from the water and wastewater industry, which was recently opened to private investors. A private consortium offered close to \$1 billion for 43 percent of Chile's largest water company to be offered to private investors. The second largest was partially privatized earlier this year. Estimates for this industry have identified the need for private investment in excess of \$2.5 billion in the next three to five years.

Investment in port infrastructure will demand close to \$1 billion through the year 2002. Ports are slated to accept private investors to bring in not just investment capital, but new technology to augment productivity.

Chile does not manufacture many types of construction equipment, especially heavy machinery. Most equipment is imported. Even where domestic producers exist, imported construction machinery and supplies are preferred for their quality and technology. U.S.-made products, with 60 percent market share, are highly preferred by Chilean users. Caterpillar and other renowned U.S. brands dominate the market, although Japan's Komatsu enjoys good acceptance for its technology. Korea and some Eastern European countries are pushing hard to enter the market, but the unknown quality of the products makes them less attractive. Some U.S. and other non-Chilean producers now plan to supply Chile from Argentina and Brazil to take advantage of lower tariffs under Chile's free trade agreement with Mercosur.

DATA TABLE

(millions of dollars)

1997 1998 1999

A. Total market size	447	580	560
B. Total local production	140	250	240
C. Total exports	23	28	25
D. Total imports	330	358	345
E. Imports from the U.S.	138	150	145

The above statistics are unofficial estimates.

Best Prospects for Agricultural Products

(millions of dollars)

1. Fresh Fruit

In 1997 the U.S. gained market access to Chile for apples produced on the U.S. West Coast and table grapes and citrus produced in California after the elimination of long-standing plant quarantine barriers. So far, the United States is the only country that may ship these fruits to Chile. The main window of opportunity for sales is during the months when such fruits are out of season in Chile and not available in local markets. This also coincides with the period when U.S. quality is highest.

1997 1998 1999
(Actual) (actual) (estimated)

a. Total market size	N/A	N/A	N/A
b. Total local production	N/A	N/A	N/A

			40		
c. Total exports		1,261		1,310	1,350
d. Total imports	40	41	42		
e. Imports from the U.S.	1/	1/	1		

1/ Less than \$500,000.

2. Frozen Fried Potatoes

Since 1992, the fast food industry has been expanding rapidly and the sales of frozen fried potatoes have taken off. Future industry growth is expected to be led by restaurants selling hamburgers. The United States' major competitors in the frozen potato market are Canada, the Netherlands, and Argentina. The U.S. market share is declining due to the higher price of its products. Lack of price competitiveness will become more severe as the United States' primary competitors take advantage of lower Chilean tariffs applied to their products. The Chile-Canadian free trade agreement signed in 1997 allows Canadian products to enter duty free while U.S. products face a 10 percent import duty.

	1997	1998	1999		
	(actual)	(actual)	(estimated)		
a. Total market size	N/A			N/A	N/A
b. Total local production	N/A			N/A	N/A
c. Total exports	0	0	0		
d. Total imports	8	9	10		
e. Imports from the U.S.	3	2	2		

3. Snack Food

Imports of snack foods have been increasing rapidly as per capita incomes rise. Supermarkets reserve a high proportion of their shelf space for snack foods relative to other prepared and preserved foods. However, local production and imports from Mercosur countries have severely reduced the U.S. market share. Quality and product differentiation will be key to increasing U.S. market share in this sector as the market becomes more sophisticated.

	1997	1998	1999		
	(actual)	(actual)	(estimated)		
a. Total market size	N/A			N/A	N/A
b. Total local production	N/A			N/A	N/A
c. Total exports	56	50	50		
d. Total imports	65	66	66		
e. Imports from the U.S.	10	10	10		

4. Pet Food

Chile's market for imported pet food has expanded rapidly in recent years as more and more families become aware of the advantages of prepared dry pet foods over table scraps. Chile's veterinarians actively promote the sale of pet food from their clinics. Pet products are also sold in pet stores and supermarkets. The United States has long dominated the market, but faces growing competition from countries that have free trade agreements with Chile. U.S. products must pay the 10 percent duty.

	1997 (actual)	1998 (actual)	1999 (estimated)		
a. Total market size	N/A	N/A	N/A		
b. Total local production	N/A			N/A	N/A
c. Total exports	2	2	2		
d. Total imports	15	22	25		
e. Imports from the U.S.	9	10	10		

1997 Agricultural Imports by Chile

Trade -- Table 2
(Dollars million)

Total (from world)	1,384
From the U.S.	148
U.S. Share	11%
Chilean Agricultural Surplus with U.S.	797

Principal 1998 U.S. Agricultural Exports to Chile

Trade -- Table 3
(Dollars million)

Corn	31	
Corn gluten feed	14	
Pet food		7
Wheat	6	
Tallow, Inedible		5
Soybean meal	4	
Protein isolates		4
Non-fat dry milk		3

	42	
Protein concentrates		3
Vegetable seeds		3

Principal 1998 U.S. Agricultural Imports from Chile
Trade -- Table 4
(Dollars million)

Table Grapes	278	
Wine	116	
Seed corn		63
Peaches and Nectarines	29	
Apple Juice		24
Plums	18	
Apples	17	
Kiwis	16	

Other Potential Prospects

Drought during the past and current year has reduced domestic supplies of feed and fodder for Chile's livestock and poultry industry. Consequently, imports of corn and other feed ingredients are expected to increase. As vineyards continue to expand acreage, demand for oak casks for aging wine will grow, creating opportunities for U.S. coopers. Chileans are beginning to eat more cereal at breakfast due to the promotional efforts of leading cereal manufacturers. Imports are growing by more than 10 percent per year.

U.S. exporters of consumer-oriented products should focus on developing niche markets. Because of Chile's abundant agricultural resources, food exports more than double imports. Not only do multi-nationals, like Nestle, Unilever, and Evercrisp (Pepsico) have processing plants in Chile, but a number of Chilean companies such as Lucchetti and Watt's produce competitive consumer-ready food products as well. These companies, however, are potential customers for U.S. food ingredients. Among the food processing sectors that have expanded most rapidly during the past decade are fruit, poultry, pork, and dairy processing, pasta manufacturing and production of varietal wines and snack foods. Chile's unique grading and labeling requirements for beef serve to make impractical U.S. exports of beef cuts.

SIGNIFICANT INVESTMENT OPPORTUNITIES

List of Foreign Investments-Major Projects-Mining Sector:

SCHEDULE FOR MAJOR MINING PROJECTS (in million dollars)

Ongoing Projects	Investor Country Date	Investment	Product
El Penon	Minera Meridian 2000 (Canada/US)	58	Gold-Silver
Pending Projects	Investor Country Date	Investment	Product
Tesoro y Leonor	Lucksic (Chile) TBD Equatorial (Australia)	280	Copper
Projects Under Evaluation	Investor Country Date	Investment	Product
Escondida (Phase IV)	BHP(Australia) TBD RTZ (U.K.) JECO (Japan) IFC	1000	Expansion Copper & Gold
Los Bronces	Exxon Minerals TBD (US)	550	Expansion Copper
El Teniente	Codelco (Chile) TBD	274	Expansion Copper
Relincho	Outokumpu (Finland) TBD Equatorial (Australia)	200	Copper
Santa	Cia. Minera TBD Catalina Molybdenum	100	Copper
	Santa Catalina (Chile)		

Cerro Casale	Placer Dome (Canada)	98	Gold	TBD
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Source: Comision Chilena del Cobre "COCHILCO"
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Comite de Inversiones Extranjeras
 (Foreign Investment Committee)
 Teatinos 120, Piso 9
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 Tel: 56/2/698-4254
 Fax: 56/2/698-9476
 Contact: Eduardo Moyano, Vice President

Ministerio de Mineria
 Teatinos 120, Piso 9
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 Tel: 56/2/671-4373
 Fax: 56/2/698-9262
 Contact: Sergio Jimenez, Minister of Mining

Major Projects in the Energy Sector

The Comision Nacional de Energia (CNE, National Energy Commission) produces a working plan that contains the schedule for the required/proposed construction of electrical generation plants for the period 2000-2008 for the entire country. It includes the Central Interconnected System (SIC), the Northern Interconnected System (SING), the Aysen System and the Magallanes System. Demand for electrical power is expected to grow 12 percent annually. The investment required is estimated to exceed \$2.0 billion. These plants would supply additional capacity close to 4,000 MW, and further reduce energy costs considerably for industrial end-users and consumers in general.

The CNE has endorsed the construction of gas pipelines and authorized the transport of natural gas from Argentina, currently through a total of five pipelines (including existing and proposed). The energy generating enterprises are adjusting and accommodating their construction schedules in order to realize the advantages offered by the gas pipelines and their facilities.

The competition in northern Chile to see who would build a pipeline from Argentina to bring gas to the new plants built or being built is over. Both have been built. One is being tested now, and the other will begin testing in the fourth quarter. This means that there will be gas to supply at least four combined cycle plants. Construction will depend heavily upon the level of copper prices in the international market.

SCHEDULE FOR ENERGY PLANT PROJECTS

Ongoing Projects	Investment U.S. mill.	Operation Method	Date Start	Firm
Chilectra	450	Transmission Infrastructure	1998-2008	Chilectra
Mampil	23	Hydroelectric	1997-2000	IBENER
Rio Maipo	39	Transmission Infrastructure	1997-2002	Cia. Electrica Rio Maipo
Pending Projects	Investment U.S. mill.	Operation Method	Start Date	Firm
Alto Cachapoal	500	Hydroelectric	1999-2001	Andrade y Gutierrez
Ralco 400MW		Hydroelectric	2000-2004	ENDESA
Quilleco	80	Hydroelectric	2000-2001	Colbun
Projects Subject EIA study	Investment U.S. mill.	Operation Method	Date Start	Firm
Taltal	160	Combined Cycle	TBD	Cia. Electrica Taltal
Rio Nuble	100	Hydroelectric	TBD	Cia. General Electricidad
Catalina Sur	16	Gas pipe	TBD	ENAP
Cabo Negro	12	Gas pipe	TBD	ENAP
El Penon	6	Transmission	TBD	Noroeste

Projects Under Evaluation	Investment U.S. mill.	Operation Method	Date Start	Firm
Alfalfal	500	Hydroelectric	TBD	ENDESA
Quitraman	400	Hydroelectric	TBD	ENDESA
Neltume	375	Hydroelectric	TBD	ENDESA
Vallical	150	Hydroelectric	TBD	ENDESA
Bocamina	120	Hydroelectric	TBD	ENDESA
Guardia Vieja	80	Hydroelectric	TBD	ENDESA

**Power Generation Projects Identified by
Chilean National Energy Commission
(Comision Nacional de Energia)**

Method	Recommended Capacity (MW)	Start Date
Combined Cycle	332	2003
Combined Cycle	332	2004
Combined Cycle	332	2005
Hydroelectric	103	2006
Combined Cycle	332	2006
Combined Cycle	332	2007
Combined Cycle	332	2008
Combined Cycle	332	2008

Some of the proposed combined-cycle gas plants may not be built if Chile signs a bilateral treaty with Argentina to interconnect the electrical grids of these two countries. However, 43.3 percent of current power generation capacity is yet to be installed. This would require investment on the order \$4.0 billion to provide for generation, transmission and distribution.

U.S. firms wanting additional information should contact:

Comision Nacional de Energia
Teatinos 120, Piso 7, Santiago, Chile
Tel.: (56-2) 365-6800; Fax: (56-2) 365-6834
Contact: Mr. Cristian Nicolai, Executive Secretary

Sociedad de Fomento Fabril
Av. Andres Bello 2777, Las Condes, Chile

CHAPTER VI: TRADE REGULATIONS AND STANDARDS

Trade Barriers

Chile generally has few barriers to imports or investment. Foreign firms operating in Chile enjoy the same protection and operate under the same conditions as local firms. The Chilean tariff rate is currently 10 percent on nearly all products from most countries, although many products from countries with which Chile has trade agreements enter with lower or no duties. No tariffs are levied on computer products. Imported automobiles are also subject to luxury tax based on 85 percent on the value above \$10,300 (this value is currently revised by the Chilean Congress), which is adjusted annually for U.S. inflation and engine size (a sliding scale--this is being phased out). Other imported luxury goods such as yachts, some types of jewelry, furs, and others are also subject to luxury taxes. Duties on capital goods purchased for use in export production may be deferred for a period of seven years and waived under some circumstances. Imports are subject to the same 18 percent Value Added Tax (VAT) as are domestic goods.

One of Chile's most important non-tariff barriers was the enforcement of quarantine regulations on U.S. wheat that made imports commercially non-viable. This issue was resolved in 1997, so U.S. wheat can now enter subject to inspection. Import restrictions on fresh fruit are gradually being resolved, with U.S. products now entering Chile. Many of Chile's regulations are not based on widely accepted scientific principles. Imports of unprocessed U.S. poultry are still prohibited. Chilean grading and quality standards on beef are unique in the world and effectively prohibit imports from the U.S. as well.

Chilean law hurt sales of certain other industries. For example, international pharmaceutical companies argue that current law does not provide effective patent protection, and the Chilean tax system discriminates against U.S. whiskey (as well as whiskey from other nations.)

Customs Valuation

Chilean customs valuation uses the normal value of merchandise, without special discounts, plus freight and insurance (CIF). Used goods are valued by the customs service according to the current new value of similar merchandise, discounting 10 percent per year of use, up to a 70 percent discount.

Import Licenses

All imports require a license, but, according to legislation governing the Central Bank since 1990, import licenses are granted as a routine procedure for nearly all goods. Licensing requirements are maintained largely as a statistical gathering mechanism, not as a control. The general licensing requirements will disappear in an upcoming modernization of Chile's customs procedures. However, more rigorous licensing procedures apply for pharmaceuticals and weapons. Current rules make imports of over-the-counter drugs largely impossible.

Export Control

Chile applies export controls through the requirement of an export license, as well as phytosanitary and quality controls on certain products controlled by the National Health Service (Servicio Nacional de Salud, SNS), the Agricultural and Livestock Service (Servicio Agrícola y Ganadero, SAG), and the National Fishing Service (Servicio Nacional de Pesca, SERNAP). Again, the licenses are required more as a means of gathering statistics.

Import/Export Documentation

Chile's Central Bank requires importers to obtain a registration certificate for goods valued over \$3,000. Exporters must fill out a registration certificate when exporting goods valued over \$2,000 FOB. This is to help the government gather trade data. Other commercial forms used by both local importers and exporters are commercial invoice, certificate of origin, bill of lading, freight insurance and packing list.

Temporary Entry

Temporary imports of goods are authorized for government-approved exhibitions and for temporary demonstrations. For Chilean government-approved exhibitions, no duty or VAT is levied. Goods may remain in the country up to six months, but must be kept in a warehouse. Goods imported for temporary demonstration purposes require the resident end-user or potential purchaser to obtain a temporary admission certificate from Chilean customs, and are taxed based upon the number of days they are in the country.

Labeling, Marking Requirements

Imported products customarily consumed by the public must display the country of origin on them before being sold in Chile. Packaged goods must be marked to show the quality, purity, ingredients, or mixtures, and the net weight or measure of the contents.

Canned or packaged foodstuffs imported into Chile must bear labels in Spanish for all ingredients, including additives, manufacturing and expiration dates of the products, and the name of the producer or importer. All sizes and weights of the net contents also must be converted to the metric system. Goods not complying with these requirements may be

imported but not sold to consumers until conversion is made. Thus, foodstuffs labeled in English have to be re-labeled in Chile before they can be sold.

Prohibited Imports

The importation of used passenger and cargo transportation vehicles is prohibited. Exceptions to this import restriction include used ambulances, armored cars, mobile homes, prison vans, street and highway cleaning vehicles, and cement-making vehicles. Importers of these goods pay 10 percent import duty plus the VAT. Fire-fighting vehicles are not subject to import duty, and VAT is paid on their CIF value only.

Special laws allow new/used car imports by persons returning from exile, returning after working or studying abroad for a number of years, or domiciled in domestic free trade zones. These imports are also tax-exempt.

Standards

The National Standards Institute (Instituto Nacional de Normalizacion, or INN), has included the ISO 9000 standards as part of Chilean standards, and is in charge of their promotion among local manufacturers. The chemical industry is one of the few industries that has incorporated the ISO 9000 standards to its industrial processing lines.

In general, standards are not mandatory, but companies can voluntarily comply with them, especially in industries where such compliance constitutes a sort of “seal of approval.” However, certain imported products, such as those pertaining to industrial safety, building and construction materials, and the gas and electricity industries, must comply with specific resolutions applying to the supervising entity.

Free Trade Zones/Warehouses

Chile's two free trade zones are the Free Zone of Iquique (ZOFRI) in the northern tip (Region I) of Chile, and the Free Zone of Punta Arenas in the southern tip (Region XII). ZOFRI encompasses the free ports of Arica and Iquique. ZOFRI is a major entry point for products bound for Bolivia, and to a lesser extent for products going to Peru, Paraguay, and northern Argentina. Punta Arenas also has a free port. Modern facilities for packaging, manufacturing, and exporting exist in each zone.

Duties and VAT requirements are as follows:

- (a) imports entering and remaining in Chile's free trade zones pay no duty or VAT;
- (b) imports leaving the free trade zones, but remaining in regions I or XII (considered "extended" duty-free zones) pay a six percent import duty, but no VAT;
- (c) imports leaving the free trade zones to enter the greater Chilean market pay full tariff and VAT charges;

- (d) subject to negotiations with Chilean customs officials, imports can remain in-bond for extended periods while awaiting transshipment to other countries.

Imported goods may remain in customs warehouses for 90 days. If said goods are unclaimed after the 90-day period, the goods will be declared abandoned by Customs and sold at public auction.

Special Import Provisions

Animal Health and Phytosanitary Requirements: Chile occasionally uses animal health and phytosanitary requirements that impede imports. The application of certain phytosanitary requirements for poultry is a non-tariff barrier seemingly meant to discourage imports. Chilean authorities have in some instances eliminated or liberalized specific requirements when presented scientific evidence by U.S. animal health or phytosanitary officials. All food products entering Chile are subject to sampling and analysis by health authorities.

Firearms can be imported, but they require a special permit from a military authority in Chile.

The import of pharmaceutical specialties, cosmetics, and most biological and biochemical preparations requires prior registration with the Institute of Public Health (Instituto de Salud Publica), and may be subject to special labeling and other requirements, depending on the nature of the individual product.

Imported goods that are considered inconsistent with Chilean "morals, public health, national security, or environment" require special authorization to enter into Chile. These include certain personal security products such as mace sprays, certain chemicals/processes, and some media products that face review and possible censorship. It should be noted that all films, videos, and TV programs, imported or locally produced, are reviewed for suitability.

Membership in Free Trade Arrangements

Chile has free trade agreements with Canada, Mexico, Colombia, Venezuela, Ecuador, Costa Rica, and Mercosur (Argentina, Brazil, Paraguay and Uruguay) that provide for duty-free trade in most products. Chile also has a trade liberalization agreement with Bolivia. Negotiations are underway with Peru and, in a longer-term process, the European Union.

In 1995, Chile began negotiations to join the NAFTA. Those talks have been stalled because the U.S. Congress has not approved so-called "fast track" negotiating authority for the Executive Branch, but any approval this year is unlikely. However, were fast

track authorized it would facilitate USTR negotiation of Chilean accession to NAFTA or a bilateral trade agreement with the U.S.

CHAPTER VII. INVESTMENT CLIMATE

Openness to Foreign Investment

A key feature of the Government of Chile's development strategy is a welcoming attitude towards foreign investors, embodied in the country's foreign investment law, known as D.L. (Decree Law) 600. D.L. 600 was promulgated in 1974 and has frequently been liberalized. Since 1991, nearly all foreign direct investment in Chile has taken place through D.L. 600. Under this law, foreign investment must be approved by the government's foreign investment committee, but approval procedures are expeditious and not burdensome. Typically, applications are approved within a matter of days and almost always within one month. The rare cases in which applications have been rejected reportedly involved suspected investor fraud. Investors choosing not to use D.L. 600 may invest via the provisions of chapter XIV of the Central Bank's foreign exchange regulations.

Under D.L. 600, investors sign standardized contracts giving them the right:

- to receive non-discriminatory treatment;
- to participate in any form of investment;
- to hold assets indefinitely;
- to remit or reinvest earnings immediately and remit capital after one year;
- to opt for either national tax treatment or a guaranteed rate (currently set at 42 percent) for the first ten years of an investment; and
- to acquire foreign currency at the inter-bank rate of exchange.

Investments over \$50 million may qualify for tax concessions. This welcoming attitude to foreign investment, along with the country's wealth of natural resources, has led to about \$21.6 billion of new foreign investment in the five years ending in 1998. Foreign direct investment has totaled more than \$31.7 billion since 1974, and the flow in 1998 almost surpassed \$6 billion. Foreign investors have purchased many of the assets privatized by the Chilean government over the last decade. Further privatization efforts may offer further such opportunities. Foreign firms compete on an equal basis in privatization processes.

Despite Chile's generally positive attitude toward foreign capital, some restrictions persist. Profits may be repatriated immediately, but capital may not be repatriated until after one year. Beginning in 1991, the Central Bank required that a variable percentage of loan funds and portfolio investment from foreign sources, including proceeds from "secondary" American depository receipts issues, be placed in a non-interest bearing account (known as the "Encaje") at the Central Bank for up to two years. (Alternatively,

investors could pay an amount equal to the interest that would be foregone.) This requirement discouraged the use of financing sourced abroad by raising its cost (supplier credits are exempt from the Encaje requirement).

In response to pressure on the current account as a result of the successive Asian, Russian and Brazilian financial crises from late 1997 to early 1999, the Central Bank reduced the Encaje rate from 30 to ten percent in June 1998 and then to zero two months later. This policy adjustment was designed to compensate partially for the higher risk premium that Chilean borrowers faced as a result of the financial crisis, but also had the effect of eliminating the Encaje's negative effect on foreign financial flows. As of mid-1999, the Encaje still remained at zero; however, the Central Bank has the authority to reimpose the reserve requirement and could decide to raise the percentage if it determines that foreign investment flows threaten its ability to control the money supply and exchange rate.

Foreign investors may choose to have their profits taxed at a guaranteed 42 percent rate for the first ten years of their investment or at whatever rate applies to local firms, currently 35 percent on fully distributed earnings. U.S. and Chilean officials began negotiation of a bilateral tax treaty in June 1999. In the absence of such a treaty, U.S. and Chilean investors can be taxed in both countries, although in practice the IRS usually grants credits for taxes paid in Chile.

The major sectoral exception to the government's openness to investment is the fisheries sector. According to 1991 amendments to the navigation law (D.L. 222), vessels fishing in Chile's 200-mile exclusive economic zone (EEZ) must have majority Chilean ownership (exceptions are made for some distant waters). The law permits bilateral agreements to allow foreign-owned vessels to fish in Chile's EEZ, but no such agreements have been concluded. National treatment is also not granted for cabotage (reciprocity is applied instead). Top management (but not ownership) of radio and television broadcasting firms is reserved for Chilean nationals. Banks may establish either branches or subsidiaries, and other financial firms must establish subsidiaries. Finally, D.L. 600 gives the Central Bank the authority to restrict foreign investors' access to internal credit if a credit shortage exists. To our knowledge, this authority has never been exercised.

Chile does not subsidize or offer incentives specifically to attract foreign investment, although corporate tax exemptions are available to both foreign and Chilean firms investing in the extreme northern or southern areas of the country.

Right to Private Ownership and Establishment

Chile conducts pro-forma screening of foreign direct investment. Except for the fishing sector and others noted above, Chile does not restrict the right of establishment.

Protection of Property Rights

Chile has a very strong regime for the protection of property rights, including secured interests in property. A functioning legal system safeguards investments by Chileans and foreigners alike. Chile's intellectual property regime is generally compatible with international norms, but its protection of patents remains deficient. Efforts to enforce intellectual property rights in Chilean courts have been successful. Chile does not have a *sui generis* statute for protecting the design of semiconductors, nor does it have comprehensive trade secret protection. Chile belongs to the World Intellectual Property Organization.

The industrial property law promulgated in 1991 substantially improved Chile's protection of industrial patents, but falls short of international standards. The law provides a patent term of 15 years from the date of grant. Legislation to bring Chilean intellectual property protection into compliance with the WTO agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs) was to be submitted by the GOC to the Congress in mid-1999, but as of July 1999 had not been sent to Congress.

The current law does not consider plant and animal varieties as patentable subject matter. Most importantly, the law does not provide transition (or "pipeline") protection for pharmaceutical patents filed before the law's promulgation. Because of the long lead times involved in the marketing of new pharmaceutical products, the law will not prevent local companies from pirating foreign pharmaceutical patents for several more years. In addition, the registration procedures required by the ministry of health to market new drugs are more onerous for the first-to-file, which tend to be foreign firms. Finally, the Central Bank reserves the right to disallow access to the inter-bank foreign exchange market for payments for the use of patents that exceed five percent of sales. These shortcomings have kept Chile since 1989 on the U.S. Trade Representative's "Special 301" watch list of countries with deficient intellectual property rights protection regimes. Chile's copyright law grants recording companies the right to authorize the use of a work for 50 years. U.S. recording industry representatives have said that the law grants more power to authors relative to producers than is the industry norm.

Chilean law provides for the protection of registered trademarks and places priority on trademark rights according to filing date. Currently, local use of the mark is not required for registration. Payments for use of trademarks may not exceed one percent of sales.

Trademark protection is less than airtight. Many parties can and do register well-known trademarks owned by U.S. companies. When challenged, Chilean courts usually vacate such trademark registrations if little has been invested in their commercialization. Significant investment by the prior registrant, however, makes this outcome much less likely. In addition, some Chilean parties "warehouse" trademarks in the knowledge that the procedure for vacating a registration goes through the Chilean court system and can

require up to four years and substantial legal expenses. Foreign claimants often opt to buy back trademarks in order to avoid such lengthy litigation.

Transparency of the Regulatory System

Chilean regulatory systems tend to be very transparent. Government regulators have little discretion in many of their acts and very simple regulatory schemes tend to minimize discretion where it does exist. However, rulemaking processes are not transparent and do not generally include provision for public hearings or comment.

Labor

Chile has enjoyed generally calm labor relations since the return to democracy in 1990. Strikes have been few in the private sector, but public employees in health, education, and coal mining have held strikes in the last few years. 1998 saw an upswing in the number of labor disputes in key sectors such as the copper industry, but this resulted from wage freezes and layoffs due to temporarily low world commodity prices. Likewise, some labor unrest has attended the privatization of Chilean ports, scheduled to conclude in late 1999. Real wages rose steadily in the 1990s until the 1998 economic slowdown and are expected to resume their climb when an economic recovery takes hold next year. Union membership is voluntary, and only about 13 percent of the workforce is unionized. Multiple unions exist in many companies, and management can negotiate collective agreements with any of the unions or with ad hoc groups of workers. Unions can form confederations or nationwide labor centrals and can affiliate with international labor federations. There is no sectoral bargaining; contracts are negotiated at the company level. The minimum monthly wage was increased to 90,500 pesos in 1999, about \$180 at the then-current exchange rate. Workers are also paid a family allowance, which employers may deduct from their tax bills. The Chilean government is a signatory to ILO conventions on worker rights.

Efficient Capital Markets and Portfolio Investment

Chile's capital markets are well developed, very active and open to foreign portfolio investors. Credit is allocated on market terms and is available to foreigners. Publicly traded Chilean companies, despite recent volatility amid shaky world financial markets, continue to attract substantial international investment, aided by an effective regulatory system. Short-term and arbitrage investments have been discouraged by the country's "Encaje" requirement, described in section Openness to Foreign Investment.

Conversion and Transfer Policies

Foreign investors may use the inter-bank foreign exchange market to repatriate capital and earnings. Importers and others with recognized need also receive access to the inter-bank rate. Others must use the parallel exchange market. Over the last few years, the

exchange rates in these two markets
half of one percent.

typically have differed by less than one-

Firms that invest via D.L. 600 may remit earnings immediately and may remit capital after one year. Investors are guaranteed access to foreign exchange in the official inter-bank currency market. Delays in repatriation are brief.

The Central Bank reserves the right to disallow access to the inter-bank market for royalty payments in excess of five percent of sales. In such cases, firms would have access to the informal market. Also, the Chilean internal tax service reserves the right to prevent royalties of over five percent of sales from being counted as expenses for domestic tax purposes.

Expropriation and Compensation

Chilean law grants the government broad authority to expropriate the property of foreign investors. The 1973-1990 military regime and the two democratic governments that have followed it have not nationalized any private firms, and nothing suggests that any expropriation is likely to occur in the foreseeable future.

Dispute Settlement

Except for U.S. investment covered by Overseas Private Investment Corporation insurance, disputes involving U.S. investors typically are settled in negotiations between the investor and the concerned government agency. Any dispute not resolved in this way is referred to local courts for adjudication. Recourse to the courts is sometimes not an attractive alternative for foreign investors, because civil suits often take years to resolve; litigants thus often choose to settle out of court. However, suits may be brought for the abrogation of constitutional rights under expedited procedures.

Chile's bilateral investment protection agreements with several countries allow for binding international arbitration between the government and investors. Different agreements contain varying procedures -- some allow the investor to choose either the host country's legal system or international arbitration but not both, while others specify that disputes must pass through the host country's legal system before recourse to international arbitration. Chile joined the international center for the settlement of investment disputes in 1991. The U.S. and Chile do not have a bilateral investment treaty.

The Chilean-American Chamber of Commerce (AmCham) has established an arbitration panel consisting of local experts and businessmen to hear international contractual disputes. Formed in cooperation with the American Arbitration Association, the panel is meant to provide an alternative to adjudication, and companies electing to utilize the panel agree to abide by its decision.

Performance Requirements/Incentives

The last remaining performance requirement, pertaining to automobile assembly operations, expired in 1998. The foreign investment committee does not apply any performance requirements in its review of projects.

Political Violence

In the years since the 1990 return to democracy, major incidents of politically motivated attacks on projects or installations have dropped sharply; since 1994, there have been few incidents. Anti-American sentiment, civil disorder, and terrorism have become rare. There have been no incidents involving international terrorist groups.

Bilateral Investment Agreements

Chilean officials have signed bilateral investment protection agreements with over 20 countries, including Argentina, Spain, Germany, Switzerland, France, Belgium/Luxembourg, Malaysia, Brazil, Cuba, and Venezuela. Most of these agreements are still awaiting ratification by the Chilean congress.

OPIC and Other Investment Insurance Programs

A bilateral investment agreement with the Overseas Private Investment Corporation took effect in 1984. In 1987, the U.S. suspended OPIC operations in Chile because of Chile's failure to recognize internationally accepted standards of worker rights. In October 1990, the U.S. resumed OPIC coverage in Chile after the democratically-elected government reformed Chile's labor code. Chile has signed the convention of the World Bank's Multilateral Investment Guarantee Agency (MIGA) in 1986. MIGA's first project involved Chile, and it has remained active here.

Foreign Direct Investment

In 1998, the flow of U.S.-sourced investment in Chile, the largest of any single country, totaled \$1.3 billion. Canada was second with \$950 million, followed by Spain with \$900 million. The major foreign investors in Chile (in order of importance) are the United States, Canada, Spain, the United Kingdom, South Africa, Australia and Japan. New investment in agriculture and livestock, construction, energy, fishing and aquaculture, forestry, and transport and communications totaled \$1.3 billion in 1998, while new mining investment was \$2.4 billion. The services and manufacturing sectors also benefited from the substantial direct foreign investment.

Chilean Foreign Investment

Regulations governing foreign investment by Chilean individuals and non-financial corporations are limited. Chilean investment abroad, principally in MERCOSUR and in neighboring countries, has increased dramatically in the last few years. According to Central Bank statistics, Chile's net foreign investment (formal and informal) abroad increased by more than 50 percent in 1998 to \$3.7 billion, and total flows for the five years through 1998 totaled more than \$8 billion. Regulations governing investment abroad by financial firms are fairly extensive, but the Central Bank is gradually lifting some of these restrictions. Insurance companies, pension funds and banks may invest an increasing portion of their assets abroad in a narrow range of low-risk instruments. The government does not provide any incentives for investment in developing countries.

CHAPTER VIII: TRADE AND PROJECT FINANCING

Brief Description of Banking System

The banking system offers many of the asset and liability products available in international financial centers. Foreign trade financing and money exchange operations are particularly active and efficient compared to the rest of Latin America.

In early 1999, 29 banks and 3 financial societies were operating in Chile. At December 31, 1998, loans by these institutions totaled \$53.0 billion and deposits \$43.3 billion. Authorities have not allowed new banks to enter the market since the early 1980's financial crisis, except via purchasing existing banks. This restriction applies to domestic as well as foreign banks. Vigorous economic growth in recent years has strengthened bank profits, but restrictions remain on banks' ability to enter some rapidly growing areas of business, especially pension fund management. A new banking law promulgated in late 1997 has relaxed some of the restrictions by allowing banks to provide factoring and leasing services. The new law theoretically provides objective criteria by which to judge applications for new banking licenses, but the Government reserves the right to limit such licenses based on economic needs in the marketplace.

The sector is regulated by the Superintendent of Banks and Financial Institutions, an agency that reports to the Finance Minister. The Central Bank, which is autonomous from the government in conducting monetary and exchange rate policy and regulating international capital movements, also regulates bank operations.

The only state-owned bank (aside from the Central Bank) is the Banco del Estado, Chile's second largest bank, which accounted for 13 percent of loans and 14 percent of deposits at the end of 1998. Private banks handle nearly all corporate business. The only Chilean banks with a direct presence in the U.S. as of June 1999 are the Banco de Chile, which has branch offices in New York and Miami, and Banco Santiago, which has a representative office in New York.

The banking sector has entered a period of consolidation as banks combine to achieve economies of scale necessary to compete internationally. The largest Chilean private banks are the Banco Santiago and the Banco de Chile. The largest foreign bank is the Spanish Banco Santander.

U.S. banks operating in Chile ranked by size of deposits in Chile are: Citibank, BankBoston, Chase Manhattan, Republic National Bank of New York, American Express, and Bank of America. U.S. banks concentrate mostly on corporate lending to small and medium-sized business, although Citibank and BankBoston are active in retail banking. Corporate lending is focused on medium-sized businesses, because restrictions on the percentage of a bank's assets that can be lent to a single customer lead firms wanting large loans to resort to international sources of finance.

Foreign Exchange Controls Affecting Trading

Money exchange operations are particularly active and efficient by Latin American standards. As a general rule, currency may be freely traded in two markets, the informal and the formal or inter-bank market. The Central Bank is empowered to require that certain transactions be executed only through the formal market, such as those related to the import or export of goods and services, foreign loans, capital flows and profit remittances. It may also determine that certain operations be subject to prior approval as is the case of foreign loans and investments, repatriation, as well as hedging and other futures market operations.

The exchange rate theoretically is allowed to float within a band around a central rate (a "crawling peg") that is adjusted to compensate for differences between Chilean inflation and that of its trading partners. The band supposedly allows for significant fluctuation in the real value of the peso. The government widened the band from 20 percent to 25 percent in early 1997, effectively revaluing the peso, because the peso was regularly pressuring the limit of the band. In June 1998, in response to the Asian crisis that was exerting downward pressure on the peso, the band was narrowed to restrict the peso from rising more than 2 percent above the central rate or falling more than 3.5 percent below. The band has since been widened once again.

General Financing Availability

Companies utilize a variety of financing sources, including retained earnings due to strong profitability, stock, direct investment, bank debt, bonds and, since 1993, through the issue of ADRs on U.S. stock exchanges. Eurobonds are also utilized. The larger corporations have evolved from the use of bank debt to public source of funds such as stock and bonds issued locally and also to international capital markets.

Chile has consistently received investment grade ratings by companies such as Moody's and Standard and Poor's since the mid-1990's. Despite the successive financial crises

from late 1997 to early 1999, the ratings have been reaffirmed by these companies. Some 30 Chilean ADR's are traded on the NYSE.

How to Finance Exports / Methods of Payment

Payment to suppliers is often made via an irrevocable letter of credit from a Chilean commercial bank to the supplier. This is fast and simple, with no lengthy delays in the remittance of foreign exchange. Payments are made upon receipt of notice of shipment of goods. Other methods of payment to suppliers include cash against documents and open account. Suppliers dealing in open account usually have developed a long-standing relationship with the buyer.

Types of Available Export Financing and Insurance

The U.S. Export-Import Bank and the Overseas Private Investment Corporation provide credit and insurance programs for U.S. exporters and investors in Chile. The Inter-American Development Bank is also active. The World Bank's Multilateral Investment Guarantee Agency's (MIGA) first project involved Chile. The Bank is quite willing to provide financing to Chile and has targeted guarantees to private sector investors in infrastructure. The country's currency reserves and balance of payments surplus have made new loans undesirable. In fact, Chile has been prepaying its multilateral institution obligations.

Private companies can take advantage of the World Bank's International Finance Corporation (IFC), which is providing financing to private sector companies for infrastructure. The IFC is particularly interested in green-field projects, non-traditional industries, cross-border operations, and asset securitization, especially in housing and infrastructure finance.

Available Project Financing

Major project financing is available through issue of equity and bonds in the international capital market, and through syndicated loans (see General Financing Availability above). Eximbank offers project financing in Chile. The amount to be financed depends exclusively on the U.S. content of the proposed project. More information available through Eximbank web page (www.exim.gov)

List of Banks with U.S. Correspondent Banking Arrangements

The following U.S. banks operate in Chile:

Bank	Telephone (56-2)	Fax (56-2)
-----	-----	-----

American Express Bank Ltd.	350 6700	335 8308
Bank of America NT & SA	243 7200	243 7393
BankBoston	639 3841	686 0760
The Chase Manhattan Bank, NA	690 5172	690 5367
Citibank, NA	338 8000	338 8055
Republic National Bank of N.Y.	695 2002	698 7512

The following banks, both Chilean and foreign-owned, maintain correspondent banking relationships with U.S. banks:

Chilean Bank -----	Telephone (56-2) -----	Fax (56-2) -----
Banco BHIF	679 1000	679 1250
Banco BICE	692 2000	696 5324
Corp Banca	698 2741	672 6729
Banco de A. Edwards	388 3000	388 4012
Banco de Credito e Inversiones	692 7000	695 8961
Banco de Chile	637 1111	637 2560
Banco Santiago	692 4000	695 6342
Banco del Desarrollo	674 5000	671 5547
Banco Internacional	638 3894	369 7367
Banco Security	270 4000	270 4001
Banco Sud Americano	692 6000	698 6008
Banco del Estado	670 7000	670 5711
 Non-Chilean Banks -----		
ABN Tanner Bank	679 5000	672 2696
Banco Dresdner Banque Nationale de Paris	696 8201	671 5934
Banco de la Nacion Argentina	671 2045	696 2700
Banco do Brasil	336 3001	336 3005
Banco do Estado de Sao Paulo	695 1307	672 2459
Banco Exterior	385 7000	385 7069
Banco Santander	631 2000	695 6342
ING Bank	330 0600	330 0650
The Bank of Tokyo Ltd.	203 1180	203 1190
Banco Real	361 1537	367 2013
Banco Sudameris	638 1514	633 0957

Note: Chilean Banking Law does not discriminate among banks on the basis of origin or ownership.

CHAPTER IX:**BUSINESS TRAVEL****Business Customs**

U.S. business people will find that business practices in Chile and the United States are very similar. The business day usually begins at 9 a.m. and ends between 6 and 7 p.m. Lunch breaks usually begin at 1 p.m. and are an hour long, unless business is being conducted, in which case two to three-hour lunches are common. Although social occasions rarely begin at the indicated time, business meetings nearly always do.

Many Chilean business people are well-educated professionals who travel internationally and speak English. However, not all speak English, and foreign business people will often find the ability to speak Spanish very useful, if not an absolute must. Promotional literature should be in Spanish.

Travel Advisory and Visas

There are neither current travel warnings nor public announcements regarding Chile. Nonetheless, visitors should be aware of the criminal environment in Santiago. Street crime, endemic to many South American cities, is a problem. One should be particularly alert in the downtown area. There are isolated terrorist incidents are extremely rare, and they have not in any way been directed toward Americans.

Business people who visit Chile usually enter on a regular tourist visa, which is issued by immigration officers at the airport upon arrival. American citizens must pay a fee of \$45.00 at the international check-in point, and must be prepared to pay the exact amount in dollars; the visa is valid for ten years or the date of expiration of the U.S. traveler's passport, whichever comes first. Business and tourist visitors are granted stays of 90 days which can be extended for additional 90 days by the Ministerio del Interior, Oficina de Extranjeria (Teatinos 950, Santiago, Chile), or the Gobernacion Provincial outside of the capital. Renewing a business or tourist visa has a cost of US\$ 100.00 per person.

Individuals who intend to stay in Chile for more than 90 days but less than a year for business purposes should obtain a visa from a Chilean consulate in the U.S. Once in Chile, holders of this visa should register at the Policia Internacional (located at Barros Borgoño 1052), where they will be issued a Certificado de Registro. Persons temporarily residing outside Santiago should register at the corresponding Gobernacion.

Business persons may also be granted a **Resident Subject to Contract** (Residente Sujeto a Contrato) visa. This visa is issued to those who have been contracted to carry out a specific job, requiring certain qualifications. It is valid for up to two years, and such visa holders are allowed to have their spouses and children also reside in the country. A new

visa is required if the visa holder changes companies. This visa is also obtained at the Ministerio del Interior, Oficina de Extranjeria (Teatinos 950, Santiago, Chile).

For those business people who intend to make sizeable investments in Chile, a temporary resident visa may be advisable. This visa is valid for one year, and can be extended for a second year. It may be obtained at the Ministerio del Interior, Oficina de Extranjeria (Teatinos 950, Santiago, Chile).

For current information concerning entry and customs requirements for Chile, travelers can contact the Chilean Embassy in Washington, D.C. or the nearest Chilean Consulate to their U.S. residence. (See Appendix C "U.S. and Country Contacts" for Embassy details and a list of Consulates.)

All areas of Santiago are affected by a high index of pollution which appears as a heavy smog in the winter and dust in the summer. Pollution levels rise to unacceptable levels (PM-10 levels of 240 MCG./M3) on an average of five to six times per year. The major health effects include difficulties with breathing, respiratory problems and aggravation of existing respiratory, cardiovascular, allergic and asthmatic diseases. This is particularly true for the elderly and children, and for those with confirmed asthmatic and allergic symptoms. The most severe pollution occurs during the months of May to October.

The following are Chile's legal holidays:

Jan. 1 New Year's Day
 Varies Good Friday
 Varies Easter Sunday
 May 1 Labor Day
 May 21 Commemoration of the Battle of Iquique
 Varies Corpus Christi
 June 29 Saint Peter and Saint Paul
 Aug. 15 Assumption Day
 Sept. National Day of Reconciliation (first Monday in Sept.)
 Sep. 18 Independence Day
 Sep. 19 Day of the Army
 Oct. 12 Columbus Day
 Nov. 1 All Saints' Day
 Dec. 8 Immaculate Conception
 Dec. 25 Christmas Day

Business Infrastructure

Business operations develop in a climate of free enterprise and free trade. Simplified bureaucratic procedures are the rule, making the Chilean business environment more transparent and friendly than most in Latin America. The labor force is regarded as

competent, productive, and relatively well educated. Current trends include innovation in export products and in a wide range of services for the domestic market. High foreign and domestic investment have added new technologies to industrial processes and increased competition in distribution and marketing.

A number of business groups control large segments of the economy but at the same time, the number of medium-size and small companies is growing. Large-scale business is conducted through local corporations whose shares are quoted on the stock market. Since the 1970's, the Government of Chile has carried out a very successful privatization program that has transferred hundreds of companies and public services to private operators, many with foreign capital participation. As a result of privatization, about 82,000 workers became shareholders in former state-owned enterprises. Sectors affected by privatization include computer services, steel production, energy generation and distribution, telecommunications and mineral extraction and processing.

U.S. companies involved in manufacturing, services and trade have maintained successful operations in Chile for decades. The Chilean-American Chamber of Commerce has a large membership of U.S., Chilean and international firms, and effectively represents the interests of the corporate community in Chile.

CHAPTER X: APPENDICES

APPENDIX A: Country Data

Population : 15 million

Growth Rate: 1.18%

Religion

Catholic : 77.0%

Protestant: 12.0%

Agnostic/

Atheist : 6.0%

Government

System : bicameral democracy

Language : Spanish

Work Week : 48 hours (44 and 40-hours week are not uncommon)

APPENDIX B: Domestic Economy

**(In US million dollars unless
otherwise indicated)**

	1997	1998	1999 (e)
	-----	-----	-----
Nominal GDP	75,777.0	74,620.0	70,000.0 1/
Growth (%)	7.1	3.4	0.5
Per Capita GDP (USD)	5,300.0	4,922.0	4,800.0 1/
Inflation (%)	6.1	4.7	4.4
Unemployment (%)	5.3	7.2	7.2
Gov't Spending/GDP	22.7	22.8	24.0
Reserves (year-end)	17,840.9	15,991.8	18,000.0
Average Exch. Rate (pesos/USD)	419.0	460.3	515.0
Foreign Debt	26,795.0	31,546.0	33,000.0
Debt Service/Exports (%)	6.3	6.5	7.0
U.S. Economic and Military Aid	0.3	0.3	0.3

1/ U.S. dollar values decline due to Chilean peso depreciation

APPENDIX C: Trade

Chilean-U.S./Imports and Exports (millions of dollars)

	1997	1998	1999 (e)
	-----	-----	-----
Chilean Exports(FOB)	16,636.3	14,757.1	15,300.0
Chilean Imports(CIF)	17,857.2	17,785.0	16,300.0
Imports from U.S.(CIF)	4,332.6	4,025.8	3,800.0
Exports to U.S.(FOB)	2,710.5	2,609.7	2,900.0
U.S. Pct. of Imports	24.3	22.6	23.3

APPENDIX D: Investment Statistics

Foreign Direct Investment in Chile - By Country (millions of dollars)

Country	1994	1995	1996	1997
1994-97				

-----	-----	-----	-----	-----	-----
United States	997	1,549	2,264	913	9,518
Canada	756	531	360	679	3,867
Spain	18	55	490	1,498	2,778
United Kingdom	36	90	232	185	1,309
Australia	16	27	109	182	874
Japan	66	16	148	154	820
South Africa	84	219	74	448	983
The Netherlands	11	40	121	362	787
Finland	198	121	59	13	430
Italy	8	5	325	19	398
Argentina	63	41	97	60	367
France	27	26	66	56	352
Switzerland	48	5	29	45	326
Cayman Islands	16	48	215	215	612
Total	2,530	3,028	4,800	5,041	25,535

Figures for 1996 & 1997 are preliminary estimates, and the figures for 1974-97 represent the total invested over the period.

Does not reflect repatriation of capital and may not reflect current value of investments.

Source: Committee on Foreign Investment

Foreign Direct Investments
Chile - By Sector (Millions of Dollars)

Sector	1994 1994-97	1995	1996	1997	
-----	-----	-----	-----	-----	-----
Agriculture	22	9	16	14	191
Construction	39	59	28	118	450
Electricity, Gas, Water	13	54	386	1,378	1,834
Industry	324	320	923	495	4,139
Mining	1,760	1,710	995	1,627	11,181
Fisheries, Aquaculture	53	43	21	12	160
Services	233	366	1,932	1,199	5,813
Forestry	13	55	20	28	188
Transportation & Communications	73	412	479	170	1,579

		66			
Total	2,530	3,028	4,800	5,041	25,535

Figures for 1996 & 1997 are preliminary estimates, and the figures for 1974-97 represent the total invested over the period.

Does not reflect repatriation of capital and may not reflect current value of investments.

Source: Committee on Foreign Investment

**Largest Foreign Direct Investment Projects
Chile
(Millions of Dollars Invested)**

Project	Source		Sum
	Investors	Country	
-----	-----	-----	-----
La Disputada	Exxon Minerals	U.S.	1,731
El Abra	Cyprus Minerals	U.S.	1,286
La Escondida	BHP/RTZ/JECO/IFC	Aust./UK	1,025
		Japan/Int.	
Zaldivar	Zaldivar/	Canada/	751
	Outokumpu	Finland	
First Boston	First Boston	U.S.	700
Investments			
La Candelaria	Phelps Dodge/	U.S./Japan	587
	Sumitomo		
Collahuasi	Falconbridge/	Canada/UK/	425
	Amcoli/Japan	Japan	
	Collahuasi		
Quebrada Blanca	Cominco/Tech	Canada	369
Cerro Colorado	Rio Chile	Canada	337
VTR Telephone	SBC Int.	U.S.	332

APPENDIX E: U.S. and Country Contacts

Country Government Agencies

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Ministerio de Hacienda
(Ministry of Finance)
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Web page: www.minhda.cl

Ministerio de Economía, Fomento y Reconstrucción
(Ministry of Economy)
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Ministerio de Trabajo y Previsión Social
(Ministry of Labor and Social Security)
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Ministerio de Obras Públicas
(Ministry of Public Works)
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Ministerio de Salud Pública
(Ministry of Public Health)
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Ministerio de Vivienda y Urbanismo
(Ministry of Housing and Urban Development)
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Ministerio de Minería
(Ministry of Mines)
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Ministerio de Transportes y Telecomunicaciones
(Ministry of Transportation and Telecommunications)
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Ministerio de Bienes Nacionales
(Ministry of National Property)
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Government-Related Agencies

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(Central Bank)
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Banco del Estado
(State Bank of Chile)
Andres Sanfuentes, President
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Centro de Investigacion Minera y Metalurgica (CIMM)
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Comision Chilena de Energia Nuclear
(Chilean Nuclear Energy Commission)
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Comision Nacional del Medio Ambiente (CONAMA)
(National Environmental Commission)
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Comite de Inversiones Extranjeras
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Corporacion Nacional del Cobre (CODELCO)
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Corporacion de Fomento de la Produccion
(National Production Promotion Corporation)
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Corporacion Nacional Forestal (CONAF)
(National Forestry Commission)
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Servicio Nacional de Geologia y Minería (SERNAGEOMIN)
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Asociacion Gremial de Empresarios Hoteleros de Chile
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Asociacion Gremial de Industriales Quimicos (ASIQUEM)
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Asociacion Gremial de la Mediana y Pequena Industria de Chile (AMPICH)
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Asociacion Gremial de Medianos y Pequenos Industriales Metalurgicos (CORMETAL)
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Asociacion Gremial Nacional de Duenos de Establecimientos Comerciales (SIDEKO)
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Asociacion Gremial de Laboratorios Farmaceuticos (AGRELAF) (Pharmaceutical
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Asociacion de Franchising de Chile (AFICH)
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Camara de la Industria Farmaceutica de Chile

(Pharmaceutical Industry Association -- formed by members of the Pharmaceutical Research Manufacturing Association and European Pharmaceutical Laboratories)

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Camara Nacional de Comercio, Servicio y Turismo de Chile
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Fax: (56-2) 639-7485

E-mail: corma@reuna.cl

Web page: www.corma.cv.cl

Empresa Chilena de Empresas de Turismo (ACHET)
(Chilean Association of Chilean Tourism Agencies)

Contact: Maria Eugenia Castro, President

Moneda 973, Oficina 647; Santiago, Chile

Tel: (56-2) 699-2140, 696-5677

Fax: (56-2) 699-4245

E-mail: achetjc@ctcreuna.cl

Web page: www.achet.cl

Federacion de Productores de Fruta de Chile (FEDEFruta)
(National Fruit Producers' Association)

Contact: Luis Schmidt, President

San Antonio 220, Oficina 301; Santiago, Chile

Tel: (56-2) 632-5274

Fax: (56-2) 632-7327

E-mail: fedefrut@ctcreuna.cl

Web page: www.fruitonline.com/fedefruta/welcome.html

Instituto Textil de Chile
(Chilean Textile Institute)

Contact: Mario Garcia, Executive President
 Av. Andres Bello 2777, Of. 502; Santiago, Chile
 Tel: (56-2) 203-3056, 203-3057
 Fax: (56-2) 203-3059
 E-mail: intech@cepri.cl

Sociedad de Fomento Fabril (SOFOFA)
 (Chilean Industrial Society)
 Contact: Felipe Lamarca, President
 Av. Andres Bello 2777, Piso 3, Edificio de la Industria, Las Condes; Santiago, Chile
 Tel: (56-2) 203-3100, 203-3142
 Fax: (56-2) 203-3101, 203-3141
 E-mail: sfs@sfs.cl
 Web page: www.sfs.cl

Visit USA Committee Chile
 Contact: Jorge Maino, President
 Zurich 221, Of. 13; Santiago, Chile
 Tel: (56-2) 342-1634
 Fax: (56-2) 202-1523
 E-mail: visitusa@interactiva.cl
 Web page: www.gw.cl/visitusa

World Trade Center
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 Nueva Tajamar 481, Oficina 101; Santiago, Chile
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 Fax: (56-2) 339-7001
 E-mail: wtsn@ctc-mundo.net
 Web page: www.wtcsantiago.cl

Country Market Research Firms

Adimark Ltda.
 Contact: Emilio Sahli, General Manager
 Alfredo Barros Errazuriz 1960, Piso 8; Santiago, Chile
 Tel: (56-2) 225-0025
 Fax: (56-2) 341-4712
 E-mail: adimark@tmm.cl

Arthur Andersen Langton Clarke
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Web page: www.langtonclarke.cl

C. H. & Associates, International Business Consultants
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Deloitte & Touche
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Ernst & Young
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Phillips 56, Of. 46; Santiago, Chile
Tel: (56-2) 240-9000
Fax: (56-2) 638-3622
Web page: www.ey.cl

Instituto de Estudios Bancarios Guillermo Subercaseaux
(Guillermo Subercaseaux Institute of Banking Studies)
Contact: Lucia Pardo, Rector
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Tel: (56-2) 698-1972, 696-8920
Fax: (56-2) 699-3634
E-mail: iebgs@reuna.cl
Web page: www.ieb.cl

Instituto Chileno de Administracion Racional de la Empresa (ICARE)
(Chilean Business Institute of Rational Business Administration)
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InterContinental Business Consultants
Contact: Richard G. Pascal, Marketing Director

Marchant Pereira 201, Piso 9; Santiago, Chile
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Fax: (56-2) 206-1783

Price Waterhouse Coopers
Contact: Lisandro Serrano, Partner
Huerfanos 863, Piso 4; Santiago, Chile
Tel: (56-2) 638-3023
Fax: (56-2) 633-3329
E-mail: PWC.CHILE@cl.PWCGLOBAL.COM
Web page: www.PWCGLOBAL.com

Puente Sur
Contact: Nick Walker
Santa Beatriz 120; Santiago, Chile
Tel: (56-2) 365-1848
Fax: (56-2) 365-1845
E-mail: puente@ibm.net

Country Commercial Banks

Chilean and Foreign Banks

Banco BHIF
Contact: Carlos Senent, General Manager
Huerfanos 1234; Santiago, Chile
Tel: (56-2) 679-1000
Fax: (56-2) 679-1350
E-mail: bhif@bhif.cl
Web page: www.bhif.cl

Banco Bice
Contact: Cristian Eyzaguirre, General Manager
Teatinos 220; Santiago, Chile
Tel: (56-2) 692-2000
Fax: (56-2) 696-5324
Web page: www.bice.cl

Corp Banca
Contact: Jorge Selume Z., General Manager
Huerfanos 1072; Santiago, Chile
Tel: (56-2) 698-2741
Fax: (56-2) 696-0271

Web page: www.corpbanca.cl

Banco de A. Edwards

Contact: Gustavo Fabres, General Manager

Huerfanos 740; Santiago, Chile

Tel: (56-2) 388-3000

Fax: (56-2) 388-4100

Web page: www.banedwards.cl

Banco de Chile

Contact: Segismundo Schulín-Zeuthen, General Manager

Ahumada 251; Santiago, Chile

Tel: (56-2) 637-1111

Fax: (56-2) 637-2560

Web page: www.bancochile.cl

Banco de Crédito e Inversiones

Contact: Leonel Olavarria, General Manager

Huerfanos 1134, Piso 4; Santiago, Chile

Tel: (56-2) 692-7000

Fax: (56-2) 695-8961

Web page: www.bci.cl

Banco del Desarrollo

Contact: Hugo Trivelli, General Manager

Avda. Lib. Bernardo O'Higgins 949, Piso 3; Santiago, Chile

Tel: (56-2) 674-5000

Fax: (56-2) 671-5547

Banco del Estado de Chile

Contact: Jose Manuel Mena V., General Manager

Avda. Lib. Bernardo O'Higgins 1111; Santiago, Chile

Tel: (56-2) 670-5037

Fax: (56-2) 670-5044

Banco Santander

Contact: Oscar Von-Chrismar, General Manager

Bandera 140, Piso 5; Santiago, Chile

Tel: (56-2) 631-2000

Fax: (56-2) 696-0622

Web page: www.bsantander.cl

Banco Santiago

Contact: Fernandos Canas, General Manager

Bandera 201; Santiago, Chile

Tel: (56-2) 692-4000

Fax: (56-2) 695-6342

Web page: www.bsantiag.cl

Banco Security

Contact: Ramon Eluchans, General Manager

Agustinas 621; Santiago, Chile

Tel: (56-2) 270-4000

Fax: (56-2) 270-4001

Banco Sud Americano

Contact: Juan L. Kostner, General Manager

Morande 226; Santiago, Chile

Tel: (56-2) 692-6000

Fax: (56-2) 698-6008

Web page: www.bsa.cl

U.S. Banks

American Express

Contact: Mario Mora, General Manager

Avda. Andres Bello 2711, Piso 9; Santiago, Chile

Tel: (56-2) 350-6700

Fax: (56-2) 355-8308

The Chase Manhattan Bank

Contact: Kathleen C. Barclay, Senior Country Officer

Agustinas 1235, Piso 5; Santiago, Chile

Tel: (56-2) 690-5172, 690-5102

Fax: (56-2) 690-5367

E-mail: www.chase.com

Citibank

Contact: Ariel Sevi, President

Av. Andres Bello 2687, Piso 7; Santiago, Chile

Tel: (56-2) 338-3000, 338-8156

Fax: (56-2) 338-8155

Web page: www.citicorp.com.chile

Bank of America

Contact: Marco Gomez, Business Director for Chile

Alcantara 200, Piso 7; Santiago, Chile

Tel: (56-2) 243-7200

Fax: (56-2) 243-7393

BankBoston

Contact: Jorge Ramirez, President and General Manager

Moneda 799; Santiago, Chile

Tel: (56-2) 639-3841

Fax: (56-2) 639-1297

Republic National Bank

Contact: Emilio Drullinsky, Senior Vice President

Huerfanos 1060; Santiago, Chile

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John O'Leary, Ambassador

James J. Carragher, Deputy Chief of Mission

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Kathleen Brion, Public Affairs Officer

Consular Section:

American Citizens Services

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Carl F. Troy, Consul General

Jeanette Davis, Consul

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Department of Agriculture:

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14th and Independence Avenue, S.W.
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Tel: (202) 720-6878; Fax: (202) 720-6063
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Department of State:

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Office of Brazil and Southern Cone Affairs
2201 C Street, N.W.
Washington, D.C. 20520
Tel: (202) 647-2407; Fax: (202) 736-4415
E-mail: charltonml@state.gov

Department of Treasury:

Contact: Richard Johnston, Deputy Officer Latin America Affairs
1500 Pennsylvania Avenue, N.W.
Washington, D.C. 20220
Tel: (202) 622-7392; Fax: (202) 622-1273

U.S. Information Agency:

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Office of Western Hemisphere Affairs
301 Fourth St., S.W.
Washington, D.C. 20547
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E-mail: lwdavis@usia.gov

Other Agencies**Overseas Private Investment Corporation (OPIC)**

Contact: Deborah Moronese, Manager of Investment Development for Latin America

1100 New York Avenue, N.W.
 Washington, D.C. 20527
 Tel: (202) 336-8647; Fax: (202) 408-5155
 E-mail: dmoro@opic.gov

U.S. Trade and Development Agency (TDA)
 Contact: Alberto Angulo
 U.S. International Development Cooperation Agency
 Room 309, SA-16
 Washington, D.C. 20523
 Tel: (703) 875-4357; Fax: (703) 875-4009

Export-Import Bank (EXIMBANK)
 Contact: George Heidrich, Loan Officer-Chile
 811 Vermont Avenue, N.W.
 Washington, D.C. 20571
 Tel: (202) 565-3946; 565-3400 Fax: (202) 566-7524;
 E-mail: george.heidrich@exim.gov

Chilean Government Agencies in the U.S.

Ambassador Genaro Arriagada
 Embassy of Chile
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 Washington, D.C. 20036
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 Consulate General of Chile
 Contact: Alberto Labbe Galilea, Minister Counselor
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 Chicago, IL 60611
 Tel: (312) 654-8780; FAX: (312) 654-8948

HOUSTON, TEXAS
 Consulate General of Chile
 Contacts: Carlos Fernando Winter Igualt, Consul General
 Francisco Javier Telleria Ramirez, Consul General
 1360 Post Oak Blvd., Suite 2330
 Houston, TX 77056
 Tel: (713) 621-5853; FAX: (713) 6218672

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Consulate General of Chile

Contacts: Carlos Jose Ducci Ossa, Consul General

Pedro Alfredo Garcia Castelblanco, Consul

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NEW YORK, NEW YORK

Consulate General of Chile

Contacts: Alvaro Zuniga Benavides, Consul General

Marcelo Salas Reginato, Commercial Agent

866 United Nations Plaza

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Consulate General of Chile

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Other Chilean Government-Related Entities in the U.S.

Corporacion de Fomento de la Produccion (CORFO)

(Chilean Production Promotion Center)

One World Trade Center, Suite 5151

New York, New York 10048

Tel: (212) 938-0550

Fax: (212) 938-0559

Empresa Nacional del Petroleo (ENAP)

(National Petroleum Company)

One World Trade Center, Suite 5151

New York, New York 10048

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Fax: (212) 938-0559

Corporacion Nacional del Cobre (CODELCO)

(Chilean Copper Corporation)

CODELCO U.S.A., CODELCO METALS

177 Broad Street, 14th Floor

Stanford, Connecticut 06901

Tel: (203) 425-4321

Fax: (203) 425-4322

ProChile (Chilean Government Trade Bureau)

One World Trade Center, Suite 5151

New York, New York 10048

Tel: (212) 938-0555

Fax: (212) 321-1943

APPENDIX F: MARKET RESEARCH

AVAILABLE AND UPCOMING AGRICULTURAL REPORTS

Agricultural Commodity and Market Reports:

(These are annual reports issued every year in the specified month by the Foreign Agricultural Service of the U.S. Department of Agriculture.)

Fresh Deciduous Fruit	January
Kiwi Fruit	January
Tree Nuts	February
Strawberries	March
Canned Deciduous Fruit	March
Fishmeal and Oil	April
Sugar and Molasses	April
Dried Fruit	April
Planting Seeds	May
Tobacco	May
Wine	June
Agricultural Situation	September
Seafood	September
Forest Products	October
Avocados	November
Dairy Situation	November
Tomatoes and Products	December

AVAILABLE AND UPCOMING INDUSTRY REPORTS

(These are sectoral reports prepared by the Commercial Service of the United States.)

Networking Software	April, 1996
Auto Parts	June, 1996
Trucks and Buses	July, 1996
Pleasure and Recreational Boats	August, 1996
Cosmetics	September, 1996
Paging and Trunking Equipment	September, 1996
Medical Equipment	October, 1996
Cellular Equip. and Services	October, 1996
Electrical Power Equipment	October, 1996
Mining Equipment	October, 1996
Railroad Equipment	March, 1997
Pulp and Paper Machinery	March, 1997
Building Materials	August, 1997
Travel and Tourism	September, 1997
Medical Disposables	November, 1997

Security and Safety Equipment	November, 1997
Telecom. Trunking Equipment	November, 1997
Construction Machinery and Equipment	January, 1998
Fire Prevention and Fire Fighting Equipment	August, 1998
Food Processing Equipment for Canned Goods	August, 1998
Dairy (Food processing) Equipment	September, 1998
Computer Software	September, 1998
Plastics Machinery and Chemicals	September, 1998
Prefabricated Housing	September, 1998
Refrigeration Equipment for Food Service	September, 1998
Telecommunications Equipment	September, 1998
Water Treatment Equipment and Services	November, 1998
Air Conditioning and Refrigeration Equipment	November, 1998
Personal Computers	November, 1998
Medical Equipment	June, 1999
Security Equipment	July, 1999
Mining Equipment	July, 1999
Wireless Telecommunications Equipment	July, 1999
Disposable Medical Equipment	August, 1999
Refrigeration Equipment for Transport and Storage	September, 1999
Solid and Hazardous Waste Disposal and Services	September, 1999
Electrical Power Equipment	September, 1999
Solid and Hazardous Waste Disposal Equip. and Services	September, 1999
Flexible Packaging Machinery	September, 1999
Port Equipment and Services	September, 1999

ISA SCHEDULE FOR FY 2000

Airport Security Equipment
 Building Materials
 Clinical Laboratory Equipment
 Commercial Refrigeration Equipment
 Computer Services

Construction Equipment
Filling Machinery
Office Supplies
Sewage and Water Treatment Equipment and Services
Tourism

APPENDIX G: TRADE EVENT SCHEDULE

1. Event Name: SOFTEL '99

(Information Technology)

Event Locations: FISA Maipu, Santiago, Chile

Dates of Event: July 21 - 25, 1999

U.S. Recruitment/Promotion: N/A, contact:

PuntoDiez S.A.

Tel: (562) 231-6515; Fax: (562) 233-4981

2. Event Name: SUPERMERCADOS '99

(Products, services, and equipment for supermarkets and convenience stores)

Event Locations: FISA Maipu, Santiago, Chile

Dates of Event: August 4 - 6, 1999

U.S. Recruitment/Promotion: N/A, contact:

Punto Diez S.A.

Tel: (562) 231-6515; Fax: (562) 233-4981

3. Event Name: SOLOF '99

(International exhibition and conference on office solutions)

Event Locations: CasaPiedra, Santiago, Chile

Dates of Event: August 26 - 28, 1999

U.S. Recruitment/Promotion: N/A, contact: ptodiez@chilesat.net

Punto Diez S.A.

Tel: (562) 231-6515; Fax: (562) 233-4981

4. Event Name: ESPACIOS '99

(Design and equipment for home)

Event Locations: CasaPiedra, Santiago, Chile

Dates of Event: September 9 - 12, 1999

U.S. Recruitment/Promotion: N/A, contact:

Punto Diez S.A.

Tel: (562) 231-6515; Fax: (562) 233-4981

5. Event Name: EXPOSALUD '99

(Technologies, equipment, supplies and services for the health care sector of Chile and Latin America)

Event Locations: Sheraton Hotel, Santiago, Chile

Dates of Event: September 27 - 29, 1999

U.S. Recruitment/Promotion: ShoWorks

Tel: (509) 838-8755; Fax: (509) 838-2838

6. Event Name: EDIFICA '99

(Construction industry)

Event Locations: FISA Maipu, Santiago, Chile

Dates of Event: September 28 - October 2, 1999

U.S. Recruitment/Promotion: N/A, contact:

Punto Diez S.A.

Tel: (562) 231-6515; Fax: (562) 233-4981

7. Event Name: PROCOMERCIO '99

(Supply chain management exhibition and conference)

Event Locations: CasaPiedra, Santiago, Chile

Dates of Event: September 29 - October 1, 1999

U.S. Recruitment/Promotion: N/A, contact:

AIC Worldwide (Alan Cederberg)

Tel: (562) 246-8100; Fax: (562) 246-8109

8. Event Name: CHILEPLAST '99

(Plastics and rubber exhibition)

Event Locations: CasaPiedra, Santiago, Chile

Dates of Event: October 5 - 8, 1999

U.S. Recruitment/Promotion: ShoWorks

Tel: (509) 838-8755; Fax: (509) 838-2838

9. Event Name: SALON DEL MUEBLE '99

(International furniture and decoration trade show)

Event Locations: Estacion Mapocho, Santiago, Chile

Dates of Event: October 13 - 17, 1999

U.S. Recruitment/Promotion: N/A, contact:

Punto Diez S.A.

Tel: (562) 231-6515; Fax: (562) 233-4981

10. Event Name: ESPACIOS '99

(Design and equipment for home)

Event Locations: Plaza El Trebol, Concepcion, Chile

Dates of Event: November 11 - 14, 1999

U.S. Recruitment/Promotion: N/A, contact:

Punto Diez S.A.

Tel: (562) 231-6515; Fax: (562)

233-4981

11. Event Name: VIDA Y SALUD '2000

(Medical equipment)

Event Locations: Santiago, Chile

Dates of Event: March 2000

U.S. Recruitment/Promotion: N/A, contact:

ECI Ltda. (Gema Saavedra)

Tel: (562) 228-3552; Fax: (562) 228-7114

12. Event Name: FIDAE '2000

(International Air & Space Fair)

Event Locations: Cerrillos Airport, Santiago, Chile

Dates of Event: March 27 - April 2, 2000

U.S. Recruitment/Promotion: Kallman Associates, Inc.

Tel: (201) 652-7070; Fax: (201) 652-3898

13. Event Name: FERIA DEL HOGAR '2000

(Consumer goods and furnishings for the home)

Event Locations: FISA Maipu, Santiago, Chile

Dates of Event: April 14 - May 5, 2000

U.S. Recruitment/Promotion: N/A, contact:

FISA (Santiago Perez)

Tel: (562) 530-7000; Fax: (562) 533-1667

14. Event Name: EXPOMIN '2000

(Mining Industry exhibition)

Event Locations: FISA Maipu, Santiago, Chile

Dates of Event: May 9 - 13, 2000

U.S. Recruitment/Promotion: N/A, contact:

FISA (Jorge Solis)

Tel: (562) 530-7000; Fax: (562) 533-1667

15. Event Name: EXITEL '2000

(Telecommunications exhibition and seminars)

Event Locations: Santiago, Chile

Dates of Event: June 2000

U.S. Recruitment/Promotion: N/A, contact:

AIC Worldwide (Francisco Gatica)

Tel: (562) 246-8100; Fax: (562) 246-8109

16. Event Name: SOFTEL '2000

(Information Technology)

Event Locations: FISA Maipu, Santiago, Chile

Dates of Event: July 12 - 16, 2000

U.S. Recruitment/Promotion: N/A, contact:

FISA (Alfredo Perez)

Tel: (562) 530-7000; Fax: (562) 533-1667

17. Event Name: PROCOMERCIO '2000

(Supply chain management exhibition and conference)

Event Locations: Santiago, Chile

Dates of Event: September 2000

U.S. Recruitment/Promotion: N/A, contact:

AIC Worldwide (Alan Cederberg)

Tel: (562) 246-8100; Fax: (562) 246-8109

18. Event Name: FERIA DE LAS NACIONES '2000

(Consumer products, tourism services and handcrafts international fair)

Event Locations: FISA Maipu, Santiago, Chile

Dates of Event: October 27 - November 5, 2000

U.S. Recruitment/Promotion: N/A, contact:

FISA (Santiago Perez)

Tel: (562) 530-7000; Fax: (562) 533-1667

19. Event Name: TECNOMADERA '2000

(Machinery for the elaboration of wood, accessories and supplies for the furniture industry)

Event Locations: FISA Maipu, Santiago, Chile

Dates of Event: November 22 - 25, 2000

U.S. Recruitment/Promotion: N/A, contact:

FISA (Eduardo Hardessen)

Tel: (562) 530-7000; Fax: (562) 533-1667

20. Event Name: EXPOPESCA '2000

(World exhibition for the fishing industry in Latin America)

Event Locations: FISA Maipu, Santiago, Chile

Dates of Event: November 22 - 25, 2000

U.S. Recruitment/Promotion: N/A, contact:

FISA (Jorge Solis)

Tel: (562) 530-7000; Fax: (562) 533-1667

21. Event Name: EXPONAVAL '2000

(International naval defense exhibition and conference for Latin America)

Event Locations: Valparaiso, Chile

Dates of Event: December 5 - 12, 2000

U.S. Recruitment/Promotion: N/A, contact:

FISA (Alfredo Perez)

APPENDIX H: Doing Business in Chile, Bibliography

Guide to the Chilean Business Environment 1998-1999

Author: Rafael Aldunate

Publisher: Sociedad de Fomento Fabril, Av. Andres Bello 2777, Santiago, Chile.